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NEWS SUMMARY

GENERAL

Pope's condition 'still serious'

Pope John Paul II was still in a serious condition last night after Wednesday's assassination attempt. Doctors feared he might contract peritonitis after a *four-and-a-half-hour* operation on his abdomen.

Turkish authorities were assisting Italian police in investigations conecrning Turkish gunman *Mehmet Ali* Agca, arrested in St. Peter's Square straight after the shooting.

Italian political leaders went ahead with plans for referendums on Sunday. One-man terror band, Page 3

New hunger strike

Provisional IRA prisoner Brendan McLaughlin began a hunger strike in Belfast. Mrs. *Thatcher* began a campaign to refute U.S. politicians' claims that Britain's treatment of strikers was inflexible. Back

Mideast talks

Philip Habib, U.S. envoy to the *Middle* East, held surprise talks last night with Israeli leader Menahem Begin after apparently making no headway in Damascus talks with Syria's President Assad on the Lebanon crisis. Habib profile, Page 4

EEC budget plan

EEC Commission agreed an outline plan for reforming the EEC budget, which will go to heads of government next month.

Less smoking

Cigarette sales are expected to drop 9 per cent this year *because of the 14p* increase in duty on a packet of 20, a Commons committee was told.

Refinery wrecked

Abadan refinery, for over 50 years a symbol of Iran's oil wealth, has been destroyed in the fighting with Iraq. Page 4

Street clashes

Police fought about 350 youths in West Berlin after detaining 13 squatters, in clashes lasting four hours.

Diagnosis doubt

The psychiatrist who told the Old Bailey Yorkshire Ripper Peter Sutcliffe was a paranoid schizophrenic could have been duped about his mental state, he agreed under cross-examination.

Turks banned

Council of Europe voted to stop Turkish parliamentarians attending its assembly and urged an end to torture. Page 3

Team effort

Nine players in a Soviet Armenian youth football team were released "on humanitarian grounds" after being arrested for shoplifting in Dutch boutiques.

Briefly . . .

Mrs. Susan Howard of Gloucestershire had quads.

ICI paid employee George Truscott a record £4,330 for an energy-saving idea.

Ex-world lightweight champion Esteban de Jesus was sentenced to life in jail in Puerto Rico *for murder.*

Four policemen died and three were wounded in fighting in the South Yugoslavia province of Kosovo.

Financial Times

We apologise to readers of the Financial Times who did not *receive their* copies over the last few days. This has been because of unofficial industrial action by the 19-man machine minders' chapel, members of the National Graphical Association. The same dispute has prevented the Financial Times remaking pages for late editions so that late-breaking news, first night arts reviews, closing Wall Street prices and other statistical material, have not been included in the following *morning's* editions. Report of dispute, Back Page

BUSINESS

£ falls 1.10c; equities higher

● STERLING fell 1.10 cents to $2.0675, its lowest since November 2, 1979. It improved to DM 4.78 (DM 4.7750), FFr 11.515 (FFr *11.49*) and Y460 (Y458) but eased to SwFr 4.3050 (SwFr 4.32). Its trade *weighed* index fell to 98.4 (98.5) Page 28

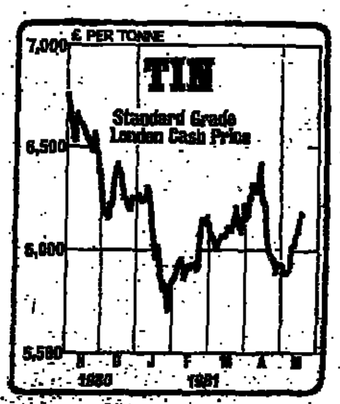
● DOLLAR continued strong, and its trade-weighted index was up at 106.6 (105.9). *It rose to* DM 2.3105 (DM 2.2955) FFr 5.57 (FFr 5.5280), SwFr 2.082 (SwFr 2.078) and Y222.4 (Y220.4). Page 28

● GOLD fell $6 to $477.5 in London Page 28

● EQUITIES closed higher, and *the FT 30-share index put on 6.8* to finish at 558.1 Page 32

● GILTS were irregular. The Government Securities index ended *0.11 ahead at 66.53.* Page 32

● WALL STREET was up 6.12, at 973.88 near the close. Page 30



● TIN prices gained ground, encouraged by the weakness of sterling against the dollar. Cash tin closed £95 up at £6,190 a tonne. Page 31

● EEC abandoned hope of securing a reduction in Japanese car imports this year. Back Page

● FORD, the U.S. car maker, is well on the way to profit recovery after heavy losses last year, said the chairman. Back Page

● IMF is to get 150m special *drawing rights from* Switzerland as part of 1.1bn which the fund wants from leading industrial countries.

● SOVIET UNION may sell more gold to the West this year to support the Polish economy and import grain, said Consolidated Gold Fields. Back Page

● SCOTCH whisky exports fell 5 per cent in quantity last year against 1979, but their value rose 6 per cent to nearly £747m. Page 5

● GOVERNMENT welcomed plans to launch an OpenTech—a technical college to reform industrial training. Back Page

● MOBIL concluded an 11 per cent pay deal with its tanker drivers. Page 8

● JEFFERSON SMURFIT, the Irish paper, printing and packaging group, which reported a decline in 1980-81 profits to IR£17.4m, launched a IR£15.7m rights issue. Page 20; Lex, Back Page

● ROYAL INSURANCE increased pre-tax profits for the first quarter 1981 to £26.7m (£25.5m). Page 20: Lex, Back Page

● BANK OF IRELAND accounts, on a current cost basis, show pre-tax profits down *to* IR£12.8m (IR£17m) for the year ending March. Page 20. Lex, Back Page

● F. W. WOOLWORTH of the U.S. reported a $6m (*£2.9m*) first quarter loss, against $26m *profit.* Results were distorted by tax and currency translation items.

● FIAT, the Italian motor company, *reported an increase* in 1980 net profits from L39bn to L51bn (£21m) despite mounting operating losses. Page 26

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Exchqr. 12½pc '92	£89½	+ 1
Bank of Ireland	307	+ 7
Beattie (J.) A	175	+ 8
Bell (A.)	128	+ 8
Clayton Son	88	+ 6
Collins (Wm.)	235	+ 22
Cmrcl. Bk. of Aust.	405	+ 85
Cmrcl. Bk. Sydney	360	+ 35
Construction Hldgs.	205	+ 12
Eurotherm	290	+ 10
GUS A	483	+ 8
HK Shanghai Bkg.	139	+ 7
Johnson Matthey	269	+ 12
Mercantile House	770	+ 20
Nat. Bk. Australasia	213	+ 18
Racal Elec.	389	+ 8
Royal Ins.	383	+ 13
Tecalemit	57½	+ 6½
Unilever	543	+ 21
Utd. Scientific	407	+ 14
Usher-Walker	62	+ 10
Jo'burg Cons.	£33½	+ ½
Meekatharra	400	+ 40

FALLS

Exchqr. 11¾pc '86	£93¾	— ½
Bk. New Sth. Wales	175	— 8
Leech (Wm.)	99	— 7
Lee Cooper	170	— 15
Letraset	88	— 5
Menzies (J.)	480	— 15
Smurfit (Jefferson)	157	— 9
Williams (J.)	26	— 9
Western Mining	267	— 8

BL loss may match last year's record, Edwardes warns

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL's net loss this year could match the record £535.5m for 1980, Sir Michael Edwardes, chairman, warned at yesterday's annual meeting.

He gave a clear hint that if the cars division, responsible for the vast majority of the losses, did not at least break *even by 1983-84 it would be* closed.

Pointing out that by 1983-84 BL would have introduced the first model in its LC10 "family" of *medium-sized cars,* Sir Michael said: "If revenue and costs cannot be balanced by then there would be no point in putting more money into the *car business.*"

The directors, he said, "are in no *way so* emotionally involved in the business that we would not close parts of it or the whole of it."

Sir Michael also made it clear *that* the board had no intention of asking the Government for funds additional to the £990m already agreed for the next two years even though the loss would be very heavy this year.

It emerged after the meeting that Sir Michael has just signed his first contract with BL. Previously he has been paid by his *former company, Chloride,* which was then repaid by BL.

During the meeting one shareholder made the point that Sir Michael's salary had increased regularly even though BL's losses continued to grow. Last year his salary went up by more than £8,000, or 14 per cent, to £65,400.

Sir Austin Bide, deputy chairman, said in a spirited defence of Sir Michael: "If you want him you have to pay for him because he is a very marketable commodity.

"You have to take into account what enormous magnitude of responsibility he carries and you have to consider the pressure of the job. It is a killer. I have no real doubt that anybody who is interested in the survival of this company *would not deny him* what he gets—and a damn sight more besides."

Only a handful of shareholders voted against Sir *Michael's re-election to the* Board.

Sir Michael revealed that, in the first three months of this year, a further 8,000 jobs had gone from within BL (including 2,000 from Leyland Vehicles) on top of the 56,000 since 1978.

The further cuts announced this week were essential, given the further decline in demand in the UK new car market and the continuing poor exporting position.

After the meeting BL gave details of the cuts at the three Jaguar plants in the Midlands. The group has called for *1,050* hourly-paid redundancies and 250 staff will also go, reducing the Jaguar workforce to about 7,000.

Sir Michael told the shareholders that the reduction in BL's workforce would continue until the latter part of next year.

He *insisted that the Board's* strategy remained one of

Continued on Back Page

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Union seeks national meeting, Page 8
Fiat's losses mount, Page 26
BMW's earnings move into *reverse,* Page 25

DISPUTE ENDS

THE 1,700 strikers at BL Cars' Longbridge plant in Birmingham, voted over*whelmingly yesterday to* end their week-long strike over the company's attempt to increase output, writes Arthur Smith.

The dispute, which halted the successful Metro as well as the Mini, has cost the company 7,000 lost vehicles. Production will restart on Monday, and the men are to put their grievances through the official disputes procedure.

Foreign capital may be moving away from sterling

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MONEY has started to move out of sterling, reversing the inflow earlier this year and during *most of* 1980, *according* to Bank of England figures.

The latest monetary figures confirm that sterling M3, the broadly defined money supply, rose by 2 per cent in the month to mid-April. But the outcome *was heavily distorted* by the Civil Service dispute which delayed tax revenue and boosted Government borrowing.

After adjusting for these and other distortions the underlying increase was between ½ and 1 per cent.

The new feature of the figures is that external and foreign currency transactions (including bank lending in sterling overseas) *were negative, implying* an outflow of sterling from the private sector.

The contrast with earlier inflows suggests the capital and current accounts of the balance of payments have moved into deficit, at least on private sector transactions.

In the absence of monthly trade figures, delayed by the Civil Service dispute, an exact breakdown is impossible. But the weakness of sterling against the dollar implies that some of the foreign capital inflows *into sterling deposits and gilts* may have been partially reversed. The current account surplus may also have contracted from previous record *levels.*

These conclusions are only tentative but they are consistent with evidence that bank lending to the private sector has remained at a higher level than previously assumed.

The latest figures show lending rose by just over £500m last month. This probably understates the underlying rise by about £200m to £300m *because of distortions which* inflated the mid-March figure. The Civil Service dispute will also have affected the demand for credit.

Overall, the implication is that lending has continued to rise by about £700m to £800m a month, compared with previous estimates of an increase of about £400m a month and rises *of nearly £1bn a month* last summer.

This high level of lending could reflect the turnround in the external position as companies are no longer obtaining finance via a very large current *account surplus. In addition,* it is possible that a smaller scale of destocking may have partially reduced one source of liquid funds.

Some of the bank lending may have been to the public *rather than to manufacturing* industry.

£1.38bn rise in M3, Page 6

£375m bid for Australian bank

BY OUR SYDNEY CORRESPONDENT

THE BATTLE for supremacy in the Australian banking industry yesterday brought the biggest takeover offer *in the* country's history. The Bank of New South Wales has bid A$695.5m (£375m) for the Commercial Bank of Australia.

The Wales, based in Sydney and the oldest bank in the country, had been expected to make a move following a series of other bids. The Australia and New Zealand Bank, which vies with the Wales as the country's leading private-sector bank, had made an offer worth A$583m for the Commercial Bank which is based in Melbourne. The third-ranking *National* Bank of Australasia then bid A$391m for the Commercial Banking Company of Sydney—a move hotly contested by the company. Until yesterday it *was not clear which of* these offers might tempt the Wales to make a counter bid.

The Wales bid has won acceptance from the directors of Commercial Bank. Completion of the deal would oust the *state-owned Commonwealth* Banking Corporation from its position as the biggest Australian bank. It would also top the A$465m takeover of Thiess *Holdings early in 1980 by the* diversified industrial holding company CSR, as the largest Australian corporate merger.

The wave of bank takeover *bids comes against* the background of an official inquiry into the Australian financial system which is likely to recommend the opening up of the *banking industry* in Australia to competition from foreign banks.

In a joint statement, the chairmen of the Wales and the Commercial Bank said: "The merged bank will be better able to finance *development,* withstand economic adversity and meet the competition of major international banks.

The Wales is bidding two of its shares plus *A$1.50* cash for every Commercial Bank share. The bid values each Commercial Bank share at A$8.30 compared with a price on the stock market *yesterday* of A$5.90.

Merger of the Wales and the Commercial Bank would create a banking institution with assets of A$22.5bn and deposits of A$14.5bn compared with the Commonwealth Banking Cor*poration's assets of* A$18bn and deposits of A$14bn.

The bid may force the Australia and New Zealand Bank to change its course and make an *alternative offer for* the Commercial Banking Company, which would put it directly in contest with the National.

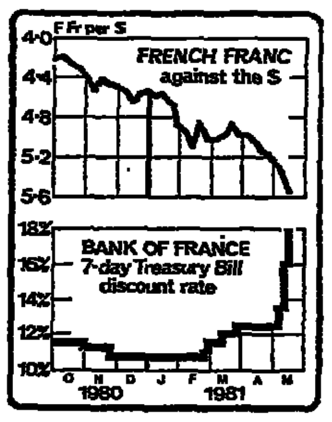
The Wales announcement of its bid for the Commercial Bank came only a few hours after the *private bank* employees union called a national stoppage involving about 70,000 employees over the proposed mergers.

French interest rates up sharply

By Robert Mauthner in Paris and David Marsh in London

FRENCH interest rates were raised sharply yesterday to defend the franc, which has come under heavy pressure since M. Francois Mitterrand's *election as President on Sunday.*

The Bank of France, which has spent an estimated $2bn (£962,000) in support of the French currency in the past three days, announced yesterday that it would raise its key



Treasury bill discount rate, at which it advances money to the banks against the seven-day deposit of bills.

The new rate of 18 per cent, up 2 percentage points, takes *effect today.*

The interest rate move came on a day of further sweeping gains for the dollar against major currencies, following a renewed increase in Eurodollar interest rates. However, the dollar finished off its day's high.

It closed in London at FFr 5.57, its highest finish for nearly 12 years, against FFr 5.5280 *on Wednesday.*

It climbed to DM 2.3105 from DM 2.2955, its highest since September 1977. Sterling dropped to an 18-month low of $2.0675, *down 1.1 cents from* Wednesday.

In contrast to the first three days of the week Central Bank intervention in Europe was relatively restrained. The fall of the U.S. currency from its

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Consequences of Mitterrand's victory, Page 18
Money markets, Page 28

£ in New York

	May 15	Previous
Spot	$2.0745-0765	$2.0940-0950
1 month	1.15-1.25 pm	1.30-1.40 pm
3 months	3.80-3.90 pm	3.95-4.05 pm
12 months	9.90-10.10pm	9.90-10.10 pm

Action by bank union collapses after ballot

BY NICK GARNETT, LABOUR STAFF

THE NATIONAL campaign of *industrial action in the English* clearing banks collapsed yesterday when the Banking, Insurance and Finance Union accepted the banks' 10 per cent pay offer.

The decision yesterday followed a national ballot of the union's 70,000 members which showed a slender majority in favour of accepting the offer in spite of a strong executive recommendation against the 10 per cent and in support of further industrial action.

The union shut down Midland Bank's computer operations twice, severely disrupted those at other banks for short periods and instituted a work-to-rule in some branches. The banks have put up strong resistance to improving the offer which had already been accepted by the rival non-TUC Clearing Bank Union and which was being imposed on Bifu.

Mr. Lief Mills, the union's general secretary, said Bifu was accepting the offer on behalf of clerical and some computer staff and industrial action would cease. But the acceptance *did not apply to computer staff* at Midland and Lloyds who have separate agreements.

The union said a higher offer for these members would still be pursued but *it would appear* that yesterday's decision will prevent any further serious action. Nevertheless, Mr. Mills said industrial action was "still possible."

In Bifu's ballot, 45,211 valid votes were cast of which 23,309 (52 per cent) were in favour of the offer and 21,902 *in favour of further industrial* action.

The outcome of the dispute is a reverse for the union although Bifu has maintained that it *has been increasing* membership since it had embarked on industrial action, which, Mr. Mills said, had been necessary because of the bank's stance.

Bifu's executive will discuss later this month whether to maintain its position in the industry's national bargaining structure or to opt for domestic negotiations at each bank.

German steel federation expels Kloeckner-Werke

BY JOHN WYLES IN BRUSSELS AND ROGER BOYES IN BONN

WEST GERMAN steel makers yesterday voted unanimously to expel the maverick company, Kloeckner-Werke, from their federation, accusing it of "insufficient solidarity" in the quest for stability in steel *markets.*

Kloeckner's refusal to agree to voluntary limits on steel coil production seems likely to force the European Community to maintain legal controls over almost half the EEC output of finished steel products. Coil is the basic material from which a wide range of goods, including car bodies and refrigerator cabinets, is made.

The company's *stand is an* embarrassment to the Bonn Government which fought a long rearguard action last autumn against the application of *compulsory quotas.*

Now, however, Bonn has signalled that it will support the Commission's decision to retain compulsory limits on the output of steel coils which account for 45 per cent of all *finished production.*

From the end of June, quotas for most other products will be covered by a voluntary agreement among leading EEC producers *represented by* Eurofer, the steelmakers club.

The new agreement is understood to be more restrictive than the curbs administered compulsorily by the Commission since October, and is designed to underpin a parallel agreement to raise listed steel prices by about 15 per cent.

Kloeckner has consistently sought a high quota for steel coils in the face of intense pressure from the West German Government and industry, and from Viscount Etienne Davignon, *the EEC industry commissioner.*

● Ivor Owen writes: Sir Keith *Joseph, the Industry Secretary,* will have greatly increased power to intervene in the affairs of the British Steel Corporation under a new clause to the Iron and Steel Bill introduced in the House of Commons last night.

It is primarily designed to prevent BSC undercutting prices charged by competing private sector steel companies through the use of state funds provided for mainstream investment or other purposes.

Mr. *Norman Tebbit,* Minister of State for Industry, admitted that the added authority conferred on the Industry Secretary could also be used to speed up the *privatisation of specific* sectors of BSC.

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Mitterrand's 'hit list': candidates for a takeover

David White and Terry Dodsworth in Paris examine the companies which President-elect Mitterrand would like to nationalise. The success of his project depends on whether his Socialist Party gains a majority in parliamentary elections to be held towards the end of the next month.

HOLDING COMPANIES

THE SOCIALISTS' proposals, based on the 1972 Common Programme of the Left, cite banks and insurance companies for nationalisation, leaving a crucial question mark banging over the two big private holding empires, Suez and Paribas.

Along with the State, they form a triumvirate of shareholding power in France. This concentration has been strengthened by Paribas' acquisition this year of effective control of the Empain-Schneider group, ranging from the nuclear sector to banking.

The joint assets of the Suez and Paribas groups at the end of last year were FFr 12.7bn.

Their empires would in any case be truncated by bank nationalisation. Paribas would lose Banque de Paris et des Pays-Bas and stakes in Compagnie Bancaire (consumer credit) and the Lille-based Crédit du Nord. Suez would lose its Indosuez merchant bank, its deposit bank Credit Industriel et Commercial and its interest in the Victoire insurance group.

The main shareholders in Suez—the board and big institutions—recently bolstered their shareholding to around 50 per cent after anonymous share buying on the stock market.

State bodies have small shareholdings, including the UAP insurance group, which is also a Paribas shareholder.

The industrial interests of Cie Financiere de Suez include 17 per cent of Saint-Gobain and 3 per cent of Thomson, both slated for nationalisation. The group also has shareholdings in banking and insurance in Britain, the U.S. and West Germany.

Paribas, in which National Westminster Bank has a small shareholding, increased its net profit to FFr 1.33bn last year. Interests include shareholdings in Becker Warburg Paribas in the U.S. and S. G. Warburg in Britain.

ARMS AND NUCLEAR INDUSTRY

TWO OF France's biggest growth sectors, the nuclear and arms industries, stand to be totally nationalised under the Socialist proposals.

To these should be added the motor industry, where the aim is to build up a blocking minority in Peugeot and then construct a co-ordinated approach with the already nationalised Renault group.

These proposals are more or less designed to tidy up industries which are already substantially nationalised. In nuclear equipment, it means taking over Framatome (turnover FFr 1.8bn), profits just over break-even), and Alsthom-Atlantique (profits FFr 125m).

In the arms industry, the main companies to be caught in the net will be Matra, the missiles concern, and Manurhin, already controlled by Matra, which makes missile warheads and a variety of small arms. About 50 per cent of Matra's FFr 2.9bn turnover is reckoned to come from arms. Profits were FFr 211m ($38.4m) last year.

In the motor industry, the investment in Peugeot would take the form of participatory loans, ranking as a form of equity capital, which would amount to about 33 per cent. The Socialists are convinced that this 225,000-man group, which is reckoned to have made losses of about FFr 2bn last year on a turnover of about FFr 70bn, will shortly need a big infusion of Government money.

BANKING AND INSURANCE

THE PROPOSALS for the private banking and insurance companies are designed to bring into the State net those companies which escaped in the post-war takeovers.

It is calculated that about 80 per cent of credit in France currently falls either to the big nationalised banks or the mutual lending organisations such as the Credit Agricole. But the Socialists are committed to a return to more central planning, and evidently want control of the financial sector to steer investment.

Apart from Suez and Paribas, the main deposit banks under threat are CCF (profits of FFr 86m in 1979), CIC (FFr 59m), Credit du Nord (FFr 62m in 1980), which is part of Paribas, Banque Rothschild (FFr 17m in 1979), and Banque Hervet (FFr 32m).

Just over 50 per cent of the insurance sector is calculated to be in State hands already through the three giants of the French industry, UAP (FFr 250m profits in 1978), AGF (FFr 160m) and GAN (a co-operative). The main targets for takeover will be AGP (profits of FFr 153m in 1979), Financiere Victoire (FFr 60m) and Drouot (FFr 35m).

STEEL INDUSTRY

THE BIG French steel companies are not nationalised, the Government frequently insists. But the fact is that since 1978, when the Government bailed out Usinor and Sacilor, State interests have had something around a 60 per cent stake in the industry through 15 per cent of direct holdings plus a labyrinth of investments by State banks or other nationalised institutions.

This does not give direct control, but is a form of State control strengthened by the effective appointment of the chief executives by the Government.

The main objective of the Left is to get the industry back on an even keel. Although this is clearly a difficult task in the current European situation, much of the dirty work, in terms of cuts and reorganisation, has already been done.

Usinor, with losses of FFr 1.2bn on a turnover of workforce to about 35,000 from the 45,000 before the crisis, while Sacilor, losing FFr 2bn in 1980 on a turnover of FFr 10.7bn, has trimmed back to 26,000 workers from 32,000.

CGE

Compagnie Generale d'Electricite is France's largest electrical and electronics group, and third largest European concern in the field after Philips and Siemens, with 1980 sales of FFr 45.8bn, a third of the total in exports. In France, it heads most of the sectors in which it operates and it is a world leader in high-voltage electrical equipment, underwater cables and—through its subsidiary CIT-Alcatel, France's premier telecommunications specialist — digital switching systems. It employs about 180,000.

Rapid diversification since the 1960s has brought in Alsthom-Atlantique, with its nuclear, engineering, rail and shipbuilding interests. CGE has also invested in cables, construction, office equipment—through the takeover of Roneo Vickers' office activities and Friden Mailing Equipment of the U.S.—new energy and, most recently, water distribution.

It has an indirect stake of over 8 per cent in Sir James Goldsmith's Generale Occidentale, and is the second shareholder after Sir James.

M. Ambroise Roux, chairman, is number two at the Patronat employers' federation. He was close to President Pompidou but had problems with President Giscard d'Estaing. CGE lost out in its bid for the nuclear reactor monopoly, was ousted from CII Honeywell Bull, which it had helped to found, in 1979, and has been excluded from a Government-backed scheme for fibre optics.

The group made a net profit of FFr 550m last year. The State Caisse des Depots et Consignations has a 6 per cent shareholding.

ST.-GOBAIN

One of France's oldest companies, Saint-Gobain-Pont-a-Mousson, answered the last Government's call for French industry to push into high technology sectors with a series of bold acquisitions in computers and computer-related fields.

This attempt to remodel itself has been partly engineered by a 32-year-old ex-civil servant, M. Alain Minc, who is said to be close to some leading Socialists. So it has, at least, built bridges for the new era.

St-Gobain's main interests lie in flat glass, where it is on a similar scale in Europe to Pilkington of Britain, steel pipe, where it is one of the world's leading companies, and insulation material, where it is expanding fast on the back of the energy conservation programme. It is an international group, with about half its sales overseas, some 64,000 employees, and earnings of FFr 909m on a FFr 43.5bn turnover last year.

Its diversification into semiconductor manufacturing, along with its entry into the capital of Cii-Honeywell-Bull, the leading French computer group, and Olivetti, the Italian office equipment company, may improve its financial performance.

PUK

Pechiney Ugine Kuhlmann, the metals and chemicals group, is France's largest exporter to Japan and has the biggest foothold in the U.S. through its Pucko subsidiary.

More than half its 1980 turnover of FFr 38.1bn came from outside France, including 30 per cent direct exports. It relies heavily for profit on foreign activities, including sales of technology. Consolidated net earnings fell nearly 40 per cent last year to FFr 60m after a slump in the second half. Only aluminium and fine metals, which include nuclear fuel, were in the black.

Nationalisation would be aimed at rationalising this diverse conglomerate, formed by a 1971 merger. But PUK has already started drastic restructuring. It is due to transfer its special steels to Sacilor and has been negotiating partial sale of its chemical division, the third largest French concern in the sector, to Occidental Petroleum amid strong opposition, especially from the unions, and a row which has caused a top management shake-up.

THOMSON-BRANDT

THOMSON-BRANDT, the electrical, electronics and arms group which includes over 100 companies, had sales of FFr 36.5bn last year and profits in excess of 1979's FFr 460m. Overseas activity made up 45 per cent of turnover, including direct exports which rose by 27 per cent to FFr 11.5bn.

The group employs 130,000 and has about 200 production plants, 30 of them outside France.

Thomson-Brandt originated late last century as the licensee of the Thomson Houston Electric Corporation. The last U.S. shareholding interests pulled out in the 1950s. In 1966, it merged with the Hotchkiss Brandt armaments group. State interests already hold over 10 per cent of the capital.

The group is France's foremost in professional electronics, consumer electricals and radiology. It is Europe's second television producer, having taken over Nordmende and Saba in West Germany and U.S. General Electric's operations in Spain.

RHONE-POULENC

RHONE-POULENC, the biggest company in the French chemicals industry, is going through a radical reconstruction.

Last year it sold its heavy chemicals interests, accounting for about one-third of turnover, and it is currently pushing through draconian cuts in its artificial fibres division. The thrust of its present strategy is towards downstream, high added-value processed chemicals products, such as animal food additives, veterinary products, engineering plastics, the rare earths used to colour plastics, and silicones.

A sharp slump in the 107,000-man group's performance last year, mainly caused by crippling losses in its textiles division, led to consolidated losses of FFr 327m on a turnover of FFr 30.2bn. This has led to some scepticism on the Bourse recently about the short-term prospects of the group.

DASSAULT

Avione Marcel Dassault-Breguet Aviation, the second largest French aircraft manufacturer, is the maker of the Mirage III and F1 and partner in the Franco-German Alpha-Jet fighter-trainer and the Franco-British Jaguar fighter-bomber.

Its future rests largely on the new Mirage 2000 for the French air force, which also has export potential, and the export-only twin-jet version, the 4000, for which Saudi Arabia may put up some of the finance.

In recent years, Dassault has made three quarters of its sales abroad. Last year, total sales rose 51 per cent to FFr 10.7bn. But new orders reached only FFr 9bn and foreign orders slumped by more than half to FFr 4.9bn. Despite this, the company has enough orders to keep it going beyond 1982.

Net profit in 1980 rose to FFr 312m from FFr 272. The state already has a blocking minority shareholding. Nationalisation would take further the previous Government's aims of co-ordinating Dassault more closely with the state-owned Aerospatiale.

Mr. Marcel Dassault, 89, is one of the more colourful figures on the French industrial scene, a Gaullist MP with a 30-year political career. His other pet interests include a glossy magazine and the reconstruction of a French motorcycle industry. He regularly takes newspaper advertising space to expound quaint or eccentric ideas.

CII

THE BIG question over the plan for Cii Honeywell Bull is whether it will be really necessary by the Socialist Party's own criteria. The company is already controlled by Saint-Gobain, another group on the hit list, which has made it clear that it tends to have the whip hand in policy making.

Cii, with a staff of 20,300, profits of FFr 108m last year, and a turnover of FFr 6.3bn, is no stranger to the State sector.

It was largely established by the Government, was heavily financed by the State for several years, and has just emerged from a reorganisation which soaked up another FFr 1.2bn of State funds to help it establish itself in the private sector.

ROUSSEL-UCLAF

ROUSSEL-UCLAF, France's second pharmaceuticals group, has since 1974 been a subsidiary of West Germany's Hoechst, which bought the Roussel family's majority share. It comprises some 80 French and foreign companies, with 60 per cent of turnover coming from overseas, mostly from local subsidiaries. It is, for instance, one of the few Western companies to have stayed on in Vietnam.

Its main sectors after pharmaceuticals are agricultural and veterinary products, bulk therapeutic products and perfume, which depends 80 per cent on exports. Its subsidiary, Parfums Rochas, would probably be excluded from nationalisation.

Last year, sales went up by 17 per cent to FFr 5.3bn. Net profits were FFr 132bn, which, after deduction of exceptional items, was less than in 1979. In medical products, it operates in one of the last price-controlled sectors in France.

ITT-FRANCE

ITT-FRANCE, a subsidiary of the U.S. concern, was one of the nine "big groups" cited in the nationalisation chapter of the 1972 Common Programme of the Left.

But since then, it has been greatly cut down. Thomson-Brandt took over its telephone interest, LMT, in 1976. ITT has also sold off a private education subsidiary and more recently its Oceanic television company and interest in electrical lighting, cosmetics and car radios.

The main operation left from all this is Compagnie Generale de Constructions Telephoniques (CGCT), the third-largest French maker of telephone switching equipment, a loss-maker with turnover of under FFr 2bn a year. Its new digital System 12 has not yet been taken by the French post office, and the company has to rely heavily on exports.

'Growing tendency to world crisis'

By Ian Davidson

"WE SEE a growing tendency for international crisis, and a disturbing absence of crisis-management structures in the sense that the mechanisms for dialogue between the Soviet Union and the U.S. are not well developed."

With these words, Mr. Christoph Bertram, director of the International Institute for Strategic Studies, introduced this year's annual report on major strategic developments and trends.

The main emphasis of the report is the deep uncertainties surrounding international security. There is concern over objectives and instruments of policy, East-West relations, Third World crises and relations within the Western alliance.

"The central question for Western policy," it says, "is how to cope with a Soviet Union that no longer sees time on her side, is incapable of finding solutions to her increasing political problems, yet is in possession of unprecedented military power."

The Polish crisis presents the Soviet leadership wtih a problem to which it has no ready answer. In addition, it is faced with economic difficulties at home, and political problems abroad as a result of the invasion of Afghanistan.

The report holds out some faint hope that the U.S. rearmament programme might reinforce the attractions for the Soviet Union of arms control negotiations. These may be seen as a means of protecting Soviet strength by restricting U.S. programmes, even at the price of substantive Soviet concessions. But it sees no prospect of immediate progress in this field until the U.S. formulates its own policy.

The report also implicitly criticises the U.S. Administration for being out of touch with reality. "Much of the rhetoric of the election campaign smacked of remedies that might have applied in the simpler world of the 1950s, but will scarcely suffice in the more complex one of the 1980s. Realities will impose themselves. . ."

The report also criticises the U.S. nuclear weapons doctrine (PD 59) adopted last year, which purports to provide for discreet and selective targeting. For, although the doctrine is not, in essence, new, it has had an adverse affect on European sensibilities by appearing to envisage the possibility of limited nuclear war; and in any case "there are questions," says the report primly, "about the wisdom of building limited options that probably could not, in the final analysis, be implemented."

Reuter reports from Brussels: Nato nuclear experts yesterday began an urgent review of current and planned nuclear balance of forces in Europe to prepare U.S.-Soviet talks due to start by the end of the year, Nato officials said.

The experts must make an updated assessment of the Soviet build-up as conditions have changed since the alliance took its dual-track modernisation decision in December 1979.

Nato then decided to deploy 464 U.S. Cruise and 108 Pershing II missiles in Western Europe from 1983 and at the same time, to offer the Soviet Union talks on curbing this type of medium-range nuclear weapons.

At that time, the Soviet Union had deployed about 100 SS-20 three-warhead, long-range missiles, and Nato expected the full programme to reach about 200.

Since then, deployment of SS-20s has accelerated with a new one coming out every five days.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bk.	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Keyser Ullmann	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14 %
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½ %	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	12 %	Whiteaway Laidlaw	12½ %
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14½ %		
First Nat. Secs. Ltd.	14½ %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10¼%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9¼%.
‖ 21-day deposits over £1,000 10¼%.

Centre-right in poll pact to thwart Socialists

BY DAVID WHITE IN PARIS

THE TWO parties holding the current centre-right majority in the French National Assembly have formed an electoral pact for next month's legislative ballot in an effort to stop the Left from consolidating its presidential victory.

M. Jacques Chirac, the Gaullist leader, many of whose supporters deserted President Giscard d'Estaing in the second round of the presidentials, reached an agreement with M. Jean Lecanuet, head of the centrist group, after a three-hour meeting at the Senate on Wednesday night.

The two men agreed to draw up a policy pact within the next few days, which candidates for Assembly seats would be required to sign.

The parties, M. Chirac's Rassemblement pour la République (RPR) and the Giscardian Union pour la Démocratie Française (UDF), are to collaborate in constituency battles, either by fielding joint condidates or by arranging for the weaker majority candidate to withdraw in favour of the stronger between the two rounds.

The parties would avoid public in-fighting and would co-operate in support of their best-placed candidates.

Unlike the presidential ballot system, in which only the top two candidates take part in the second round, all parliamentary candidates scoring more than 12.5 per cent can go through, supposing the constituency has not already been won by an absolute majority in the first round.

If fewer than two candidates score 12.5 per cent, then the two front-runners go through.

M. Chirac, seizing the initiative in the immediate aftermath of M. Francois Mitterrand's election victory, originally proposed that the two parties field only one candidate in each constituency.

The agreement represents a compromise with the centrist group, anxious to reassert its own identity.

The two men said they had decided "to unite the efforts of all those who are concerned with defending the institutions of the Fifth Republic as well as the values of liberty, responsibility and progress."

More independence planned for French TV and radio

BY ROBERT MAUTHNER IN PARIS

M. FRANCOIS MITTERRAND, the new President of France, and his Socialist supporters intend to give a new look to the organisation of the country's radio and TV networks, with the aim of making them more independent of Government control.

M. George Fillioud, one of M. Mitterrand's spokesmen during the election campaign, said that the Socialist Party would table a Bill in the National Assembly after the forthcoming general election, which would give the green light to independent local radio stations.

At the moment, French radio and TV is still very much State-controlled. Though M. Giscard d'Estaing, the outgoing President, reorganised the former monolithic ORTF into three separate TV channels, a radio company and a production organisation, the heads of the different channels and stations are still appointed by the Government.

M. Fillioud said that the new Government intended to put an end to the state radio and TV monopoly and to decentralise the whole system. At the same time, the Socialists did not want to create complete anarchy and, above all, wanted to prevent the big financial groups from getting their hands on local radio stations.

A new body—the National Council for Radio and Television—would be set up and would be responsible for issuing broadcasting licences. But the Government would be in a minority on this Council. Advertising would be strictly limited and regulated on the new local radio stations.

The election of M. Mitterrand has led to fears in the existing radio and TV organisations that there would be a big shake-up of staff once the new government was appointed. But M. Claude Estier, a Socialist member of the European Parliament and formerly M. Mitterrand's chief press spokesman, said that there would be no "witch-hunt."

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The 'one-man terror band' from Turkey

BY METIN MUNIR IN ANKARA

"TERRORIST organisations in Turkey normally conscript semi-retarded illiterates as their hit-men. He did not belong to that category. He was a clever, brave and determined man. He was highly trained."

That is how Mr. Hasan Fehmi Gunes, a former Turkish Interior Minister, recalls Mehmet Ali Agca, the 23-year-old Turkish terrorist now charged with shooting Pope John-Paul in Rome on Wednesday.

Mr. Gunes formed his impression as he observed Mr. Agca under interrogation by the Istanbul police in July, 1979. Five months earlier Mr. Agca had killed Mr. Abdi Ipekci, a well-known newspaper editor, in one of the most sensational assassinations in modern Turkish history.

An Istanbul University economics school drop-out, Mr. Agca described himself as a "one-man terror band" unconnected with either the extreme Left or Right. Mr. Gunes claims, however, that the tall, gaunt killer was associated with the extreme Right.

"I say this not because he confessed," said Mr. Gunes. "He was a man psychologically ready for interrogation and gave away nothing about his terrorist roots. He was obstinate and defiant.

"He merely said he was a "nationalist." But we know he was extreme-Right because we know that the people who gave him money and arms and helped him were from the extreme Right-wing."

Mr. Agca escaped from the maximum security Kartal military jail in Istanbul on November 24, 1979, four days before the Pope was due to arrive in Turkey for a three-day official visit.

In a letter to Miliyet, the newspaper which Mr. Ipekci edited, Mr. Agca issued a threat which few took seriously, then.

"Western imperialists, who fear that Turkey may establish a new political, military, and economic power in the Middle East with brotherly Islamic countries, have quickly sent crusader commander-in-chief John-Paul to Turkey," he wrote.

"If this untimely and meaningless visit is not cancelled, I will definitely shoot the Pope."

Mehmet Ali Agca: "brave, clever, determined."

Mr. Agca was sentenced to death in absentia by a military tribunal for his self-confessed murder of Mr. Ipekci. Several months later, he fled from Turkey but only after he killed a man whom he held responsible for his arrest by the police.

Mr. Agca is believed to be connected with the Grey Wolves, the terrorist organisation loyal to Mr. Alparslan Turkes, chairman of the ultra-right-wing Nationalist Action Party (NAP).

Mr. Turkes and about 220 members of his party are on trial on charges of instigating civil war in Turkey. Mr. Turkes has denied the charges.

But the prosecutor claims that his followers were responsible for hundreds of murders in the period before last September's military takeover, when Turkey hovered on the brink of civil war.

Mr. Agca's attempt to kill the Pope may serve to reinforce the moral grounds of Gen. Kenan Evren's military administration, which is coming under increasing fire in the West for its alleged violations of human rights.

"I would like to hope that some of our European friends who wander around with their minds in the clouds will come to their senses after this event," Gen. Evren said yesterday.

Shadow over abortion vote

BY RUPERT CORNWELL

Anti-abortion demonstrators gathered outside St. Peter's last Sunday

ITALIANS THIS weekend will vote on abortion, under the shadow of the assassination attempt on the Pope.

In doing so, they will pronounce on whether to maintain the country's existing, moderately permissive legislation — or heed Italy's Roman Catholic establishment and John-Paul II himself, and make abortion once again virtually illegal.

At any time, it would have been an emotive, devisive issue. Politically, it pits the Christian Democrat Party against both its small "lay" allies in Government and the Communists.

This in turn is an extension of the deeper struggle reaching into the complex history of modern Italy: the eternal conflict between the clericals and anti-clericals, between the lay state and the Roman Catholic Church.

Obvious problems, too, are posed for the laborious progress to renegotiate the Concordat, the 1929 pact governing relations between Church and state in Italy.

The vigour of the Church's mobilisation against abortion has led to accusations that its campaign is an unacceptable interference into matters which are seen in lay quarters as the province of the country's Parliament.

On the one hand, the Church has, as the Pope declared from the central balcony of St. Peter's last Sunday, a duty to affirm that any law allowing abortion is in breach of fundamental human rights: "That abortion is death, the murder of an innocent creature."

On the other hand, are the facts of life: that every year in Italy, even with the post-1978 legislation, 600,000 backstreet abortions are carried out, killing between 2,000 and 5,000 women.

The infinitely safer, National Health abortions still total no more than 200,000 a year, and this reflects the fact that two-thirds of the Health Service's registered 3,350 obstetricians and gynaecologists have exercised their legal right to refuse to carry out abortions, on the grounds of conscience.

But now, in the referendum sponsored by the "Movement for Life." 43m Italians will have to decide whether to flout the unremitting campaign against abortion waged by the Pope, who lies gravely ill in a Rome clinic, cut down by a terrorist's bullets.

Not surprisingly, lay parties like the Socialists who oppose the Pope's stand have tried—with the exception of the Communists—to have the vote postponed: in the fear that their reasoned arguments would be swept aside in an unstoppable plebiscite of sympathy for the Polish Pope.

In the end, probably wiser counsels prevailed. After a moment of doubt on Wednesday evening, both the Government and Signor Sandro Pertini, the president, declared that voting would go on as planned.

The Christian Democrats and Communists, from their opposite viewpoint, argued that any delay, however well-intentioned its motive would most likely increase tension further.

Before the attack on John-Paul II, it had seemed that victory for the Christian Democrat-backed repeal lobby might bring strains between the long-ruling party and its coalition allies to breaking-point.

Now a Government crisis is an unthinkable, derisory prospect, when measured against the reality of a Pope recovering from a would-be assassin's attack in Rome's Policlinico Genelli.

In fact, not one but five referendums are being held on Sunday. Two in fact concern abortion.

The third referendum concerns the maintenance of emergency anti-terrorist legislation, the fourth will determine whether life imprisonment should be abolished; while the fifth, on the right of private citizens to carry firearms might also be affected by the shooting on Wednesday.

Even before that fateful afternoon, which way things would go was anyone's guess. Relations between Church and state are nowhere more complicated and hard to read than in Italy.

Nature of papacy keeps John Paul in the firing line

BY JAMES BUXTON

DESPITE the relatively reassuring messages put out by Vatican officials, it is clear that the Pope suffered very serious injury at the hands of his Turkish would-be assassin.

While one bullet hit him in the right arm (going on to cause a serious wound to a 60-year-old American woman) and another broke a finger of his left hand, the third bullet ploughed into the Pope's abdomen, causing damage to several organs.

The operation to repair the damage, stop internal bleeding and remove the bullet required the transfusion of three litres of blood. Though the Pope came through the operation satisfactorily, the team of doctors attending him was unwilling to make any prognosis for the time being, aware of the high risks of infection by peritonitis which can follow such an operation.

Despite the Pope's serious condition, there is little possibility of his even temporarily handing over to anyone else his authority as head of the Catholic Church. The Catholic doctrine holds that: "ubi Petrus ibi Ecclesia"—where Peter (and his successor the Pope) is, there is the Church.

Popes do not normally delegate authority when they are ill—however gravely—though it should be said that no similar case has occurred in recent history.

When a Pope dies, the Cardinal Chamberlain automatically presides over the Church until a new Pope is elected. At present he is Cardinal Paolo Bertoli, a 73-year old Italian. The Pope can also delegate a degree of authority to him when he makes lengthy trips abroad, as Pope John Paul has, on occasion, done.

The ease with which a potential killer armed with a revolver was able to get within a few feet of the Pontiff reflects less a casual approach to security on the part of Pope John Paul II and the Vatican than the fact that the nature of the papacy, and particularly of its present incumbent, virtually obliges intimacy with members of the public.

The Pope has bodyguards—normally two Vatican policemen and two Papal Swiss Guards. On foreign trips he also has Bishop Paul Macinkas, a burly former football player from Chicago, in his entourage. Security arrangements on foreign journeys are relatively tight

In Rome, however, it is considered that the massive security measures that would be required to provide total security would be impractical.

Yesterday, Italian police were attempting to trace Mehmet Ali Agca's movements prior to the assassination attempt. Ever since he escaped from prison in Turkey in 1979, prior to the Pope's visit to Istanbul, he has been on the wanted lists of Interpol and is known to have travelled frequently to Italy, Spain and West Germany, usually under false names.

Italian police, who have responsibility for almost all crimes that occur on Vatican territory, have been interviewing Mehmet Ali Agca almost continuously since his arrest. Though apparently trained in the use of firearms, highly fit and agile "like a cat," police have described him as being in a highly emotional state.

The statement he had intended to release after his attempt on the Pope read: "I have killed him to vindicate thousands of people who have been killed, the massacres which occur every day in the whole world, in Afghanistan, in San Salvador, in the Third World."

Ironically these are causes towards which, in a more gentle way, the Pope himself is highly sympathetic.

Tugendhat speech on defence angers Irish Commissioner

BY JOHN WYLES IN BRUSSELS

TEMPERS FLARED between two European Commissioners last night when a controversial speech by Mr. Christopher Tugendhat prompted an angry attack from his Irish colleague, Mr. Michael O'Kennedy.

While Mr. Tugendhat was delivering his speech in Scotland, Mr. O'Kennedy called a Press conference to denounce the British Commissioner for making "unacceptable, premeditated and ultra vires remarks."

Mr. O'Kennedy, who will repeat his complaints at the next Commission meeting, was objecting to Mr. Tugendhat's call for EEC member states to co-operate more closely on defence issues and on their purchasing of defence equipment.

Ireland's neutrality makes any such talk a sensitive issue in Dublin and this was reflected in Mr. O'Kennedy's reaction. But, its vehemence revived memories of the night in early January when Mr. Tugendhat and Mr. O'Kennedy clashed over who should have the greater responsibility for supervising the Community's work on restructuring the EEC budget.

In his speech, Mr. Tugendhat called on the Community to base a new industrial policy on the joint development and purchasing of defence equipment.

The Commissioner argued that co-ordinated Government procurement could play a vital role in helping to close the technology gap in electronics and sophisticated capital equipment which has opened up between the European Community and the U.S. and Japan.

The Ten should base their Government purchases on common criteria "with complementary objectives and open to companies from all member states," said Mr. Tugendhat in delivering the first Shell Lecture at St. Andrews University.

He acknowledged that there was nothing new in the idea which has until now been ruled out on the grounds that the EEC treaties have nothing to do with defence. The proper forum, it is usually argued, is Nato.

But Mr. Tugendhat, who is responsible for the EEC's budget, claimed that concern over institutional arrangements should not be allowed to override the practical advantages of much closer co-operation between European defence industries.

Finally, the former Conservative MP, pointed out that political co-operation between member states is beginning to embrace security questions. Once the Community has fully realised the importance of a co-ordinated security policy, Mr. Tugendhat suggested, it is but a short step to recognising the need for greater specialisation and interdependence in defence.

Council of Europe votes to ban Turkish MPs

BY DAVID TONGE

THE COUNCIL of Europe yesterday voted to stop Turkish parliamentarians attending meetings of its parliamentary assembly. It also called for "the absolute necessity to suppress all practices of torture."

Since the generals seized power last September, Turkey has continued to be represented by members of the country's last Parliament.

Yesterday's decision on representation, taken by 51 votes to 48, is the most serious rebuff the ruling generals have had so far. It followed three days of heated debate in the Council's political committee and its 170-member assembly.

Socialist and other critics of the régime's record on human and labour rights were joined by those who argued that it was legally impossible for Turkey to continue to be represented by the parliamentarians previously doing so since there was no national parliament to renew their credentials.

In Strasbourg yesterday, Mr. Ilter Turkmen, the country's Foreign Minister, played down the decision, saying he was conscious of the difficult legal situation.

He repeated the government's promises to set up a constituent assembly this autumn, but was unable to give any further timetable

The generals have attached great importance to maintaining full links with the Western countries on whose aid they continue to depend. Last week, members of the Paris-based Organisation for Economic Co-operation and Development pledged $940m (£437m) aid

It now seems that the assembly is unlikely to broach the question of whether Turkey should be allowed to remain a member of the Council of Europe until next January.

Polish moves 'may boost Soviet links'

By Christopher Bobinski in Warsaw

THE POLITICAL and economic changes taking place in Poland could place the alliance with the Soviet Union on a more stable footing, according to Mr. Stanislaw Stomma, a leading Roman Catholic commentator here.

The statement comes in an important round-table discussion devoted to the thorny problem of Polish-Soviet relations published in the latest issue of the Kultura weekly.

The text is designed as much for internal consumption as a signal to the decision-makers in the Kremlin.

Mr. Stomma, who as a parliamentary Deputy until 1976 spoke for the Polish episcopate, makes the point that Polish membership of the Warsaw Pact will be more secure than ever when Polish society comes to believe that the Warsaw Pact countries are not aiming to roll back reform.

The fact that this controversial subject has been broached in this form shows that the moderate wing in the party leadership believes the moment has come, as one official said recently, "for the monopoly on Polish-Soviet friendship than the hardliners affect to enjoy, to be broken."

Participants in the discussions include Mr. Jerzy Wojcik, editor of Zycie Warszawy, which has become a mouthpiece of the party moderates, and Mr. Marcin Krol, a young historial well thought of in dissident circles.

Each speaker was concerned to underline that the changes in Poland do not undermine the Socialist system or Poland's membership of the Warsaw Pact.

Swiss central bank chief sees slowdown in 1982

BY JOHN WICKS IN ZURICH

ANTI-INFLATIONARY measures are likely to lead to a slowdown in the Swiss economy, Dr. Fritz Leutwiler, National Bank President said in Zurich yesterday.

While the gross national product was expected to expand in real terms by 2 per cent this year, it was doubtful if there would be any growth at all in 1982, he said. However, the National Bank foresees a reduction in the inflation rate next year. In the first months of 1981, the Swiss cost-of-living index was growing faster than at any time since 1975.

No reversal of the National Bank's monetary policy is intended in the coming months, Dr. Leutwiler said. For 1981 as a whole, the monetary base is expected to increase by less than the targeted 4 per cent: in the first four months, it was actually lower by an average 0.4 per cent than in January-April, 1980.

Dr. Leutwiler said there were no plans to carry through a further tightening of money supply. Last week's increase of the bank and Lombard rates had been intended as a "broad hint" to the banks to put a brake on excessive credit growth.

To help meet the money supply targets, the National Bank is to introduce an experimental registration system for the large-scale use of discount and lombard credit.

CONFRONTATION IN THE MIDDLE EAST

Jurek Martin profiles Philip Habib, the U.S. negotiator

A glutton for hard work

PHILIP CHARLES HABIB, Henry Kissinger wrote several years ago, is "the antithesis of the public stereotype of the elegant, excessively genteel foreign service officer . . . rough, blunt, direct, as far from the striped pants image as it is possible to be."

Another former colleague from the days of the peace talks with South Vietnam in the late 1960s describes him as "the most hardworking senior man in the foreign service: when we were in Paris he used to say he'd love to have the embassy for just a month to get the staff there to work after five."

But along with the direct gruffness and the acknowledged professionalism, there is believed to be another element to Mr. Habib's personality of particular relevance to his current shuttle mission in the Middle East. This is that, in spite of being of Lebanese descent, he has little sympathy for the classic Arabist school of diplomacy.

This does not mean, according to those who know him, that he is necessarily pro-Israel, but rather that he feels that Arabs understand and respond to firmness and toughness. Although his diplomatic beat was then in the Far East, he is believed to have argued strongly inside the Johnson Administration that the U.S. should stand firmly behind Israel in the turbulent months leading up to the 1967 war.

It is also impressive that successive U.S. administrations, regardless of their political persuasions, have found Habib invaluable. The expressions of concern for him when he was laid low by a very severe heart attack in 1979 were testament to the extraordinary regard in which he is held.

Certainly his career qualifications are extraordinary. Born in Brooklyn, New York, 61 years ago, he joined the foreign service in 1949. Early appointments took him to Canada, New Zealand and Trinidad but it was the years between 1962 and 1976 which found him in the vanguard of the great American involvement in Southeast Asia.

From 1962 to 1965, he was political counsellor in South Korea and then served two years in the cockpit of Saigon, again as political officer and responsible for the deployment of "the best and brightest" young Americans who worked in the Vietnamese countryside.

That was followed by a year at the State Department in charge of the Asian desk, and three in Paris attached to the peace talks before three more years in Seoul, this time as ambassador. Henry Kissinger recalls that, when he came on board with President Nixon, Habib had "despaired" of any American success in Vietnam, but was insistent that an American withdrawal must be accomplished "with dignity."

It was Kissinger who subsequently used Habib extensively in his own Middle Eastern shuttle diplomacy after the 1973 war. Interestingly, it was the new breed of political appointment in President Jimmy Carter's Administration, many of whom had severely fallen out with Dr. Kissinger, who were only too happy to have Habib as Under-secretary of State for Political Affairs.

Habib, perhaps because of his diplomatic training, is not a man who has committed his thoughts and beliefs to the public print. His reputation lies more in what he has done and, inevitably, in tales recounted by those who know and respect him.

Thus, in Paris and Washington he is considered a notable gourmet — though fond of one of this city's oldest and more humble Lebanese restaurants. He may be a slave-driver at work and coarse with language in private, but is said to be exceptionally kind and solicitous to secretaries and other junior staff. He is also a Roman Catholic.

Syria shoots down Israeli aircraft with missile

BY PATRICK COCKBURN IN LONDON AND DAVID LENNON IN TEL AVIV

SYRIA shot down a pilotless Israeli reconnaissance aircraft over the strategic Bekaa valley in eastern Lebannon yesterday.

The destruction of the aircraft, admitted by Israel, is the first effective use of Syrian surface-to-air missiles installed in the Bekaa in retaliation for the shooting down of two Syrian helicopters at the end of last month.

The news of the loss of the aircraft first came as Mr. Philip Habib, the U.S. State Department special envoy, was trying to hammer out a compromise solution to the crisis with President Hafez al-Assad of Syria, in Damascus.

The Syrians have moved in a complete air defence system into the Bekaa Valley, according to reports from the area. This includes mobile Sam-6 launchers defended by anti-aircraft guns and assisted by a complex system of early warning radar systems.

The Sam-6s are designed for use against targets flying below 35,000 feet but are vulnerable to low-level attacks by hostile aircraft. The anti-aircraft guns are primarily designed to prevent low-altitude attacks.

U.S. specialists in Washington say they know of 14 surface-to-air missile sites deployed by the Syrians in or near Lebanon.

Sam-6s were said to be located at 10 sites, six of them in Lebanon and four just inside Syria. The other four sites in Syria contain Sam-2 and Sam-3 anti-aircraft missile launchers.

In Israel, meanwhile, there are strong indications that whatever the outcome of the Lebanese missile crisis, Israel may be contemplating a major offensive against the Palestinian guerrilla forces in Southern Lebanon, similar to the invasion of 1978, when Israel pushed the guerrillas north of the Litani River.

After the recent heavy rocket attacks on northern Israel by the Palestinians, local residents met Mr. Menahem Begin, the Prime Minister, and demanded that the army be sent in to push the guerrillas further north, so that their rockets could not reach Israel.

They were particularly disturbed by the fact that the guerrillas had attacked the northern towns and villages with rocket launchers capable of firing 40 Katyusha rockets simultaneously. But, after talking to the Premier, they said they had been reassured that the attacks would end

At a party political meeting earlier this week, Mr. Begin "solemnly" pledged: "In a little while from now, there will be no more Katyusha rockets falling on Kiryat Shamomeh"

The only military way in which complete relief can be achieved is for Israel to launch a large-scale land invasion to drive the Palestinian forces out of the area between the Litani and the Zahrani rivers in southern Lebanon.

This would not necessarily lead to a clash with Syria, because it has always kept its troops in Lebanon north of the Zahrani, which is one of the "red lines" which Israel and Syria have agreed not to cross.

OTHER OVERSEAS NEWS

Abadan refinery 'may be closed'

BY TERRY POVEY

IRAN is considering writing off the giant Abadan oil refinery. As a result of severe shelling by Iraq in the seven-month-old Gulf war, "nothing is left of the refinery," according to Mr. Bakhshi, acting governor of the city.

The giant refinery at Abadan was constructed by British Petroleum (previously the Anglo-Persian Oil company) starting in 1909, and passed into Iranian hands as a result of oil nationalisation in 1951. With an output of over 600,000 b/d it was for a long time the biggest refinery in the world.

According to Mr. Bakhshi, however, the refinery was "old, worn out and a waste of money" and its destruction in the war "might turn out to be a good thing." A new refinery should be built elsewhere in the south western Khuzestan province, he added, and an "administrative revolution carried out."

Before the war Abadan represented about half of Iran's total refining capacity. Currently the country is heavily dependent on two fairly new refineries at Tehran and Esfahan (each with a capacity of 200,000 b/d) and smaller units at Tabriz (80,000 b/d) and Shiraz (45,000 b/d).

Almost 250,000 b/d of refined products came out of the Abadan complex, feeding both the domestic market and some exports.

Industry experts agree that Abadan had become obsolete but would be surprised if any plans existed to build new refineries under the current circumstances. They point out that shortage of refining capacity primarily affects Iran's domestic supplies of refined products rather than its crude exports, currently running at 1.2 to 1.4 b/d from terminals lower down the Gulf.

Rising dollar lifts cost of oil 25-30% for many countries

BY PATRICK COCKBURN

THE REAL price of high quality crude oil purchased by most European countries has risen by 25-30 per cent since the fourth quarter of 1980 because of the appreciation of the dollar, according to an analysis by the authoritative Petroleum Intelligence Weekly.

Because oil prices are denominated in dollars, the drop in the value of the D-mark since September 1980 has cost West Germany about \$7.5bn. The franc's fall since the start of the year has cost France about \$4.8bn.

The increases come despite a rise of only 10 per cent in the official Organisation of Petroleum Exporting Countries (OPEC) price since the fourth quarter of 1980.

The high value of the yen, however, has allowed Japan to purchase OPEC crude at only a slight increase in real terms since the beginning of last year. The cost in Britain has risen by about 10 per cent since the end of 1980.

In contrast, the U.S. is paying less in real terms for its OPEC crude since the start of the year. The cost of its African crude is down by some 2 per cent.

The real cost of OPEC oil now sold to Europe and the U.S. is 80 per cent above the level of the mid-1970s, though the rise is only 25 per cent in Britain according to PIW. The cost for Japan is up by about 50 per cent.

The rise in the value of the dollar over the last six months has somewhat eased the pressure on OPEC producers to keep the official oil price at peak levels, but oil industry officials doubt if prices will be reduced at the next OPEC conference in Geneva on May 25.

Saudi Arabia's high production level of 10.3m barrels a day (b/d) is still putting pressure on prices, but the most important influence on the oil market this year is the steep drop in demand in the West. This is expected to be at least 1-2m b/d lower for the whole of 1981.

Financier denies fraud charges

MR. AMOS DAWE, an international financier, who has been extradited from San Francisco, pleaded innocent yesterday to charges of conspiracy to defraud investors and creditors of millions of dollars, AP-DJ reports from Hong Kong.

Mr. Dawe, 46, a citizen of both Thailand and Singapore, has been charged with conspiring to defraud creditors and shareholders of his now-defunct Mosbert Holdings.

Mr. Dawe had claimed during extradition proceedings in the U.S. that he would be killed if he was returned to Hong Kong, because of what he knows "about Soviet infiltration of the U.S. and South East Asia."

The Hong Kong court tentatively set his trial for November.

Haig visit to China may soothe Peking worries

BY TONY WALKER IN PEKING

MR. ALEXANDER HAIG, the U.S. Secretary of State, will visit China next month, the first senior figure in the Reagan Administration to go to China since the election last November. His visit comes at a time of some uncertainty in Peking

Former President Gerald Ford made an unofficial visit here earlier this year, carrying a message from Mr. Reagan to the Chinese leadership apparently assuring it of the continuing importance Washington attaches to its relations with Peking. China continues to be restless over such issues as Taiwan, however.

Before the Haig visit was announced, the New China News Agency carried a long commentary from Washington attacking Mr. Edwin Meese, the Presidential Counsellor, over remarks he had made regarding Taiwan. The Chinese are apparently incensed over a statement that the U.S. would "carry out in entirety the provisions of the Taiwan Relations Act."

The Act, passed by Congress during the Carter Administration, provides for continuing contacts between the U.S. and Taiwan. China believes the Taiwan Relations Act is at odds with the spirit of the Shanghai communique which formed the basis for the normalisation of relations in 1979.

"The provisions include allowing official visitors from Taiwan's Co-ordination Council for North American Affairs in Washington to Government offices and the sale of arms," the New China News Agency said.

AMERICAN NEWS

Falling U.S. crude price may slow inflation

By Paul Betts in New York

DOMESTIC CRUDE oil prices in the U.S. are continuing to fall, encouraging expectations that they may help moderate the rate of consumer price inflation.

At the same time, the latest round of domestic oil price reductions is putting increasing pressure on members of the Organisation of Petroleum Exporting Countries (Opec) to lower crude oil prices to major U.S. international oil companies.

Following the lead of Standard Oil of Indiana, Cities Service, and Phillips Petroleum, four other major U.S. oil companies including Texaco, Standard Oil of Ohio, Ashland and Sun, are reducing by \$2 a barrel the price they are currently paying for a variety of domestic U.S. crudes.

U.S. crude prices have traditionally been set by refiners, who buy the crude from producing oil companies often owned by the same oil group.

The decline in domestic oil prices reflects the general softness of demand and consumption in the U.S. market for oil products. The decline in consumption has now created a temporary world surplus of crude oil. In turn, this has hurt the profitability of U.S. oil companies whose earnings in the first quarter have fallen by an average of about 17 per cent.

Domestic crude oil prices have averaged \$38 a barrel for low-sulphur "sweet" crude and \$36 a barrel for high-sulphur crude. The prices for these crudes have now been lowered to \$36 a barrel and \$34 a barrel respectively.

These price cuts are now putting pressure on some Opec producers to lower their crude oil prices. Gulf Oil, the fifth largest U.S. oil group, is currently negotiating with Nigeria, its largest foreign supplier, a significant reduction in the price of the West African country's high-grade crude, at present selling for \$40 a barrel.

Gulf is understood to be asking Nigeria to lower its prices to within \$3 a barrel of Saudi Arabian crude oil prices. Saudi Arabia is at present selling its benchmark light at \$32 a barrel, although some U.S. oil companies expect it to raise its prices to between \$34 and \$36 a barrel following the Opec meeting in Geneva at the end of this month.

Confusion over tax cut plans

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE WHITE HOUSE was obliged to state again yesterday that President Reagan is in no mood to compromise with Congress over his proposal to cut taxes by 10 per cent a year over the next three years.

This assertion was elicited after a senior, but unidentified, official was quoted in the New York Times as saying the Administration was sufficiently concerned by the mood in the financial markets to contemplate a less radical tax bill.

From a tactical standpoint, the official said, President Reagan wanted Democrats in Congress to make the first move.

This, the White House said, was untrue, although the press spokesman added mysteriously that Mr. Reagan "was always ready to listen."

The Administration's tax bill would result in cuts of \$54bn (£25.6bn) in the 1982 fiscal year beginning in October. The budget deficit is projected at about \$60bn in the present fiscal year and about \$45bn in 1982.

Democrats in Congress, with the support of moderate Republicans, favour a tax cut of about \$30bn

The confusion over what the Administration wants has been compounded in recent days. Mr. Donald Regan, the Treasury Secretary, seemed in a television interview on Sunday receptive to negotiation with Congress. In testimony on Wednesday he was adamant that the full three-year tax cut was essential to the economic programme.

Mr. David Stockman, the influential Budget Director and cast as the supreme supply side ideologist in the Administration's upper echelons, conceded last week that he was puzzled and worried by the financial markets. Far from responding favourably to the Administration's success on the budget last week, Wall Street plunged, compounding Mr. Stockman's unease.

Wall Street sentiment appears to be that such large tax cuts will merely create a greater budgetary deficit, putting more pressure on the Federal Reserve to pursue tight monetary policies.

Mr. Paul Volcker, the Fed's chairman, would like smaller and later tax cuts and is far from persuaded that there has been any real recent improvement in the underlying rate of inflation.

Mr. Volcker's publicised problems with the monetarists in the Administration have not enhanced financial community confidence.

Mr. Beryl Sprinkel, Treasury undersecretary, has accused the Fed of eschewing steady monetary policy and responding too nervously to weekly exigencies and worsening market nervousness.

The Fed responded recently by compiling a 650-page report on the techniques of monetary policy, which came to no hard and fast conclusions but maintained tools at its disposal were sufficient. This the treasury is known to dispute privately.

Further evidence of the Administration's worry about Wall Street was provided yesterday when the White House said the President was considering moving forward to this year a proposal to defer paying cost-of-living increases to social security recipients.

Congress differs on Angola aid

BY OUR WASHINGTON STAFF

THE TWO foreign policy committees of Congres have taken different but not necessarily irreconcilable positions on the Administration's request for repeal of the ban on U.S. assistance to the rebel movement operating in Angola.

The Senate foreign relations committee voted on Wednesday to end the 1976 Clark amendment on condition the President certifies that substantial progress is being made towards a peaceful solution on independence for Namibia.

The House foreign affairs committee voted overwhelmingly on Tuesday against repeal of the amendment, named after former Senator Dick Clark of Iowa.

The division occurred as Mr. Pik Botha, South Africa's Foreign Minister, conferred with Mr. Alexander Haig, the Secretary of State, in Washington at the opening of two days of talks on Namibia.

The U.S. has proposed significant changes to the stalled five-power initiative on Namibia which it hopes will meet some of South Africa's security concerns while guaranteeing Namibian independence.

African nations generally have been cool to the latest policy, although it appears to entail less close ties between Washington and Pretoria than the Reagan Administration's earlier pronouncements implied.

The prospects of two committees burying their apparent differences are real. The Senate committee's motion linking progress on Namibia with repeal of the amendment was drafted by Senator Paul Tsongas from Massachussetts, a leading liberal Democrat, whose views are similar to those of the House panel's Democratic majority.

Both have warned against too much of a tilt in U.S.-African policy towards South Africa. Both adamantly oppose U.S. aid to Mr. Jonas Savimbi's Unita forces, which operate with SouthA frican assistance.

The Administration continues to assert that it has no current intention to supply Unita with arms. It wants the amendment removed because it puts what the Administration feels are unwarranted restrictions on foreign policy making.

● A letter signed by 14 British MPs, trade union leaders and clergymen was handed in at the American embassy in London yesterday urging the Administration "to abandon its pro-South African policies," the Press Association reports.

Tough policy urged over Soviet Union

THE U.S. should pursue a get-tough policy regarding the Soviet Union, a New York research group has said.

This would mean boosting defence spending, aiding anti-Soviet rebels in Afghanistan and tightening controls on business deals with the Soviet Union, AP-DJ reports from Washington.

The finding appeared in a wide-ranging report on the future of U.S.-Soviet relations prepared under the sponsorship of the non-partisan Council on Foreign Relations.

The report was prepared by 14 people with long experience in international affairs. Members included Mr. Michael Blumenthal, former Treasury Secretary; Senator William Cohen (Democrat) from Maine; Representative Millicent Fenwick (Republican) from New Jersey, Mr. Henry Grunwald, editor-in-chief of Time; and Mr. Paul Nitze, a former arms control negotiator.

The report makes policy recommendations in six areas but says none is more important than the reversal of "dangerous military trends."

Nuclear missile plan considered

WHITE HOUSE officials are considering a plan to deploy a system of small nuclear missiles across the U.S. in addition to the controversial MX mobile missile, the Administration has said, Reuter reports from Washington.

The plan, which has vigorous backing within the House of Representatives' armed services committee, would mean research and development beginning soon on a so-called small intercontinental ballistic missile.

The purpose of deploying more than 3,000 of these missiles would be to make U.S. land-based nuclear missiles less vulnerable to a first strike by increasingly accurate Soviet missiles.

Libyans leave

TWENTY-SIX Libyan diplomats left the U.S. early yesterday, eight days after President Ronald Reagan ordered their expulsion and the closing of the People's Bureau in Washington, AP reports from Washington.

Claims withdrawn

THE International Court of Justice in The Hague has accepted a U.S. request that its claims for damages against Iran for seizing the hostages be withdrawn, AP-DJ reports from The Hague.

Fed plugs bank account loophole

BY DAVID LASCELLES IN NEW YORK

THE FEDERAL Reserve Board has plugged a loophole in its regulations to stop a Californian bank using the London dollar market as a way of offering high-yielding deposit accounts to its customers. The episode once again highlights the anomalies of the U.S. banking system, which prevents banks from paying market rates of interest to small depositors.

Last week, the Bank of California, a \$4bn San Francisco bank, announced a new form of account, paying interest in line with money market rates. It was devised as a direct challenge to the money market mutual funds which have attracted more than \$100bn, much of it from the banks.

With a minimum deposit of \$10,000, the accounts offered cheque-writing privileges which made them highly attractive.

The bank claimed that the accounts would be exempt from federal interest rate ceilings (currently $5\frac{1}{4}$ per cent) because the deposits would be held in the bank's London branch. However, the Fed decided that the accounts were specifically designed to evade U.S. banking regulations, and ordered the bank to desist.

The Fed is becoming increasingly sympathetic to complaints from banks that money market mutual funds enjoy an unfair advantage, and may shortly consider ways of allowing banks to offer more attractive rates of interest. There is a move to phase out the interest rate ceilings by the mid-1980s as well.

Meanwhile, it is also becoming apparent that legislative moves to curb the money market mutual funds have encountered such strong opposition from the U.S. public that they are being dropped. For millions of small investors, the funds are the only means of access to the money markets where interest rates are currently 18-20 per cent.

Osman resigns as deputy Premier of Egypt

BY ALAN MACKIE IN CAIRO

EGYPT'S deputy premier for development affairs, Mr. Osman Ahmad Osman, a millionaire businessman and friend of President Anwar Sadat, has resigned nearly three months after being appointed to the post, which was specially created for him.

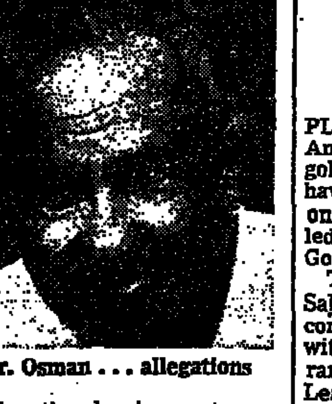
He stepped down hours after the People's Assembly approved a special committee's findings clearing him of impugning the former President Nasser and the 1952 Revolution which overthrew the monarchy.

The committee of inquiry, set up last month by President Sadat to investigate charges made by Mr. Osman in his autobiography Pages from My Experience, said there was no evidence to support allegations made by Mr. Osman in the book, that he had built villas for Mr. Nasser's relatives at a fraction of their real cost, and that a former Prime Minister had tried to profit from the sale of agricultural land to a Kuwaiti real estate company.

The charges brought vigorous rebuttals from Mr. Nasser's children and from Dr. Abdel-Aziz Hegazi, the Premier at the time of the alleged land deal.

Referring briefly to Mr. Osman's resignation in a major speech yesterday, President Sadat said the former vice-premier felt he had been misunderstood, specially by Nasser's family.

Mr. Osman has not stepped out of the government completely. He remains head of the ruling National Democratic Party's popular development committee, and as such, will continue to play a pivotal role in Egypt's development programme.



Mr. Osman . . . allegations

The affair has caused embarrassment to the establishment, not least because of the close association between Mr. Osman and Mr. Sadat, who was forced to disavow any prior knowledge of the book's content.

The régime has been treading a thin line between criticising policies of the Nasser era and attacking individuals.

Gold coin issue sparks row in Antilles

BY CHARLES BATCHELOR IN AMSTERDAM

PLANS FOR a Netherlands Antilles company to issue a new gold coin "The Queen of Saba" have provoked a political row on the Caribbean Islands and led to the suspension of the Governor of the Central Bank.

The idea of the Queen of Saba coin, which is intended to compete on the world market with the South African Krugerrand and the Canadian Maple Leaf, was launched by an Amsterdam company, Ofir Exports. The managing director of Ofir is Mr. Hubert Luns, son of Mr. Joseph Luns, the Secretary-General of Nato.

The company has established a subsidiary in the Netherlands Antilles, called Ofir Curacao, to handle the marketing of the coin. It plans to put it on world-wide sale in September.

The coin is named after the smallest of the six Antillean islands and is a word play on the Queen of Sheba. It will be minted in Britain by the York mint of Birmingham using blanks produced by another company, Sheffield Smelting.

The coin will be produced in three sizes of one, one-half and one-quarter Troy ounces of 24 carat, 99.99 per cent fine gold. This means the Queen of Saba will be of purer gold than either the Krugerrand or the Maple Leaf, Ofir claims.

The Parliament of the Netherlands Antilles has ordered an inquiry into the handling of the affair by the Central Bank and by the country's Minister of Finance, Mr. Marco de Castro. The Central Bank's governor, Mr. Robert Braumuller, has been suspended while the five members of its supervisory board have resigned.

The Central Bank paid \$1.5m for 100 shares of Ofir Curacao which has a nominal value of only \$100,000. An Antillean Government spokesman in The Hague alleged that this share purchase contravened the Central Bank's statutes and claimed Government Ministers had been misled about Ofir's true asset position.

Meanwhile, some Dutch banks have refused to handle sales of the coin and this has damaged the credibility of the enterprise. The Antillean Government may decide to go ahead with the project without Ofir though this may be difficult because of written agreements with the Dutch company.

Mr. Ted Veenendaal, the partner of Mr. Luns in Ofir Exports, said the company has bought back all the shares taken up by the Antilles Central Bank and repaid the \$1.5m in full.

The sale of the Queen of Saba would be very profitable for the Antilles Government, Mr. Veenendaal said. The Antilles would receive 20 per cent of Ofir's gross profits on the deal as well as tax revenues.

Ofir believes it can sell between 300,000 and 500,000 troy ounces equivalent of the coins in the first year of issue. The reluctance of certain banks to sell the Queen of Saba is because they fear it would interfere with their current sales of Antillean gold coins, he claimed.

The front of the coin shows a female head, representing the Queen of Sheba, while the reverse shows the coat of arms of the Antilles. The one-troy-ounce coin will be worth a nominal 500 Antillean guilders (\$250) and will have the highest nominal value of any gold coin.

The Netherlands Antilles are the last Dutch colonial possession and are an important offshore banking and financial centre.

Exports of Scotch whisky fall by 5% in quantity

BY GARETH GRIFFITHS

SCOTCH WHISKY exports fell by 5 per cent in quantity last year compared with 1979, although the value of exports rose 6 per cent to nearly £747m.

It was the second year in which Scotch exports have fallen as last year's total was 4 per cent down on the 1978 volume exported. Whisky exports last year stood at 249.9m litres of pure alcohol compared with 262.4m in 1979.

The main fall occurred in the U.S., the world's largest market for whisky. Exports to the U.S. were worth £181m compared to £192m in 1979, a fall in value of 6 per cent. The quantity exported fell by 13 per cent to nearly 75m litres. Scotch has done relatively badly in the U.S. because of the poor economic performance in 1980 and its inability to capture the youth market.

The Scotch Whisky Association in its annual statistical report published this week notes some spectacular increases and decreases in export markets, many of them freakish. Exports to Nigeria increased by 554 per cent although exports the previous year fell by 98 per cent.

But important markets such as Japan, the EEC countries and Spain all showed volume drops in whisky imports. The volume exported to Venezuela, the most important Latin American market showed a healthy increase with exports up 36 per cent in volume and 50 per cent in value on 1979 to nearly £44.7m.

UK foreign earnings slowdown

BY PAUL CHEESERIGHT

THE UK's net earnings from overseas direct investment rose sharply in 1979 but slowed appreciably in 1980, the Department of Trade said yesterday.

Earnings in 1979 rose by over 20 per cent to £2.8bn, comfortably exceeding the previous peak of £2.38bn in 1976. But provisional estimates show that earnings rose last year by about 6 per cent.

This deceleration in the rate presumably reflects the downturn in the international economy. Certainly earnings from the reverse flow of funds —foreign investment in the UK —actually declined by nearly a fifth last year.

The percentage rise in 1979 earnings, however, is probably under-stated. "The underlying increase was somewhat larger as the appreciation of the pound in 1979 reduced the sterling value of overseas earnings," the Trade Department said.

Meanwhile the level of direct investment overseas has continued to rise, although only at the rate of 2 per cent in 1979 because UK companies that year were borrowing heavily from related concerns in Europe. This meant that UK investment in Western Europe during 1979 was just £130m compared with £855m in 1978.

Provisional estimates suggest that total net direct investment overseas in 1980 was 5 per cent higher than the £2.78bn recorded in 1979. North America has remained a strong attraction for expansionist UK groups.

Swedish groups add $45 to pulp prices

By William Dullforce, in Stockholm

MO OCH DOMSJO, and Stora Kopparberg, two of Sweden's largest paper pulp exporters, yesterday announced price increases for the third quarter of this year. They expected other Nordic producers to follow suit.

The price for bleached softwood sulphate pulp delivered to West European Paper makers will go up by $45 a tonne to $590 (£280) a tonne from July 1. Corresponding increases will be made in other pulp grades.

Mr. Torsten Nykopp, managing director of Finncell, the Finnish pulp mills' sales organisation, said the Finns "supported" the Swedish move but were not yet informing their customers of any price rises.

The Swedes' action is likely to push up paper prices throughout the Common Market. The North American mills supplying market pulp to Europe can be expected to fall in line with the increase.

The last pulp price rise was in April 1, 1980. Since then the Nordic mills' wood, fuel and wage costs have climbed sharply and earnings have been trimmed.

William Chislett reports on 'feverish' work on a £60m project

Mexico's bid to bridge the oceans

A CREW of Mexican engineers recently risked life and limb to erect a 1,000 tonne East German-made crane in driving north winds that blew through the Gulf of Mexico port of Coatzacoalcos.

They were forced to call off their work until the wind, one of the notorious "nortes" that frequently whip through the Sierra Madre foothills at this time of year, died down.

The fact that they even undertook the project in such conditions is indicative of the high priority the Mexican Government is placing on the quick completion of a 182-mile land/rail bridge that will link the Gulf ports with the Pacific ocean.

The inter-ocean railway will reduce the distance by sea between New York and San Francisco by 2,400 miles and could draw considerable volume of freight traffic away from the congested Panama Canal.

The land bridge across the Isthmus of Tehuantepec, the narrowest part of Mexico separating the Pacific and the Atlantic, is expected to start operating in August, and visitors to the site describe work as "feverish."

The single track railway and road, constructed at the turn of the century by the enterprising British engineer Weetman Pearson, the first Lord Cowdray, across the humid, swampy Isthmus has been modernised and container facilities have been built at the Pacific Coast port of Salina Cruz and at Coatzacoalcos in the Gulf of Mexico.

The total cost of the project is peso 3bn (£60m).

(Ever since the Spanish conquest of Mexico in 1521, there have been many ideas on how to move cargo across the Isthmus of Tehuantepec.

One Heath Robinson-like plan involved hauling ships along a broad gauge railway across the Isthmus. Another was to build a canal, but this is made difficult by the hilly terrain.

Weetman Pearson came up with the simplest solution, a railway, which in its heyday from 1907-15 was a good money-earner. But traffic across the Isthmus sharply dropped off when the Panama Canal was opened in 1915.

The Mexican Government's idea of modernising the present facilities is both practical and economic, and the route could enjoy another period of glory.

The land bridge is opening at a time when the use of containers is increasing throughout the world. Companies are looking for economic ways to expand their markets, because of rising oil prices.

At the same time, consideration is being given to building a second canal in Panama, but this is costly and technically difficult. A current cost estimate for such a canal is $20bn.

The land bridge will operate with two 250-metre-long berths at both Coatzacoalcos and Salina Cruz. In addition, 22 bypass tracks have been built along the rail line to allow a greater numbers of trains to use the track.

The depth of the two ports is about 12 metres, which means that they can take ships carrying up to 1,200 containers.

Pemex, the state oil company, is also building its own cargo port for its massive import of equipment near to its export terminal at Pajaritos near Coatzacoalcos. This will enable container traffic at Coatzacoalcos to have priority and not to be too hampered by Pemex's enormous shipping needs.

Scores of ships wait in a line in the Gulf of Mexico at the mouth of the River Coatzacoalcos, which serves the port of the same name and Pajaritos. A port official said the record number he had seen was 57 on one day.

Sr. Fernando Alvarez Bueno, the director-general of the Transisthmus Multimodal Service, the state-run company created to handle the Land bridge, said the aim was to move 70,000 containers in the first year of operations, a small number, but this would rise to 500,000 within five years.

He said 1,000 containers could be moved from port-to-port within three days, but independent observers believe it will take longer because of bottleneck problems near Coatzacoalcos.

The vital question, however, is whether there will be sufficient interest in the new service, and the answer to this depends to some extent on whether Mexico can operate the land bridge efficiently.

Already a legal snag has arisen. According to U.S. maritime law, intercoastal traffic to U.S. points has to be moved under U.S. flag. In the case of the land bridge, this is physically impossible as the goods would be under Mexican control

Lambsdorff to start Czech trade talks

BY LESLIE COLITT IN BERLIN

COUNT Otto Lambsdorff, West Germany's Economics Minister, begins three days of trade talks today in Czechoslovakia which has managed to keep its indebtedness to the West well below that of any other East European country.

Prague is running a surplus in trade with West Germany, its main Western partner, after achieving balanced trade with the West Germans last year for the first time since 1950.

In the first quarter of this year Czechoslovak exports to West Germany were up 17.3 per cent to DM 528m (£110m) while imports from West Germany rose only 3.7 per cent to DM 441m.

Herr Lambsdorff is to hold talks with Prime Minister Lubomir Strougal and Andrej Barcak, Foreign Trade Minister, on expanding economic links. The German Minister will take part tomorrow in a meeting of the West German-Czechoslovak joint commission on economic co-operation.

The financially conservataive Czechoslovaks are proud of having held down their debt level to the West. But West German specialists for Comecon trade say this may have been at the cost of badly needed imports of Western technology.

Prague's imports from the West have consistently been the lowest in Eastern Europe as a percentage of total imports.

EAST EUROPEAN INDEBTEDNESS TO WEST

	end 1980
Poland	$21bn
USSR	$14bn
E. Germany	$9.5bn
Hungary	$7.8bn
Romania	$7.7bn
Bulgaria	$3.8bn
Czechoslovakia	$3.1bn

Source: Economic Commission for Europe

Prime Minister Strougal has decided, however, that Czechoslovakia will have to buy a large number of licences from Western electronics companies and enter into co-operation agreements with them if the Czechoslovak electrical engineering industry is not to become hopelessly outdated.

Japan decision on Fokker plan 'by August'

By Richard C. Hanson in Tokyo

A DECISION is expected by August on Japan's participation in the plan for Fokker and McDonnell-Douglas to produce a 150-seat short-to-medium range aircraft, the MDF-100.

If Japan does join it will be as a "risk sharing" partner producting "significant" parts of the aircraft, which has still to be designed, according to the Ministry of International Trade and Industry (MITI).

Mr. Francois Swartouw, Fokker chairman, recently left Japan after talks with MITI and representatives from Japanese industry in which he outlined tentative plans for the new aircraft, code-named the MDF-100.

The main attraction of the MDF-100 project to the Japanese would be the chance to participate as a "risk sharing" partner.

Japan is involved in the production of the Boeing 767, a joint U.S.-Italy project, but its share is only 15 per cent. Preliminary discussions on a new Boeing project, named in Japan the YXX (Boeing is calling it the "7-7") have indicated that Japan would not be brought in as a full partner, a factor which makes the Fokker-Douglas offer potentially more attractive.

Australia and Asean nations in air accord

By Wong Sulong in Kuala Lumpur

SENIOR EXECUTIVES of the national airline of Australia and the five Asean countries have reached full agreement on a new air policy between Australia and London.

The agreement, reached at a meeting in Kuala Lumpur yesterday, would allow the airlines to return to the position before the introduction of the Australian International Civil Aviation Policy (ICAP) two years ago.

Under the deal, a new fare would be introduced which would only be A$200 (£111) higher than the Apex fares compared with the A$500 difference between the current excursion and Apex fares.

The new fare between Sydney and London would be A$1,775 and would allow for a free stopover in the Asean countries of Indonesia, Malaysia, Singapore, Thailand and the Philippines.

Asean airlines would be allowed unrestricted capacity on the Australia-London route, known popularly as the "Kangaroo route."

Mr. Keith Hamilton, chief executive of Australia's national airline, Qantas, said Australia had had discussions with Britain before talking to the Asean countries, and he was confident Britain would go along with the deal.

NCB holds talks with Israel on coal deal

BY MAURICE SAMUELSON

THE NATIONAL COAL BOARD and the Israeli Energy Ministry were last night discussing a deal under which Israel could import up to 750,000 tonnes of British coal a year for five years.

This is three times the annual quantity mentioned in a preliminary letter of intent signed by the Coal Board and the Israeli Government two years ago.

Israel is busy converting its electricity industry from oil to coal. A new 1,400 Megawatt power station, at Hadera on the Mediterranean coast, is due to be on stream in 1985. Another coal-fired plant, at the southern end of Israel's Mediterranean coastline, should be finished two years later.

Major industrial users, including the national cement company Nesher, are also placing big orders for coal.

The first regular shipments of British coal are not expected to start for another year or two, but trial cargoes are likely to be sent this year. They will supplement the larger shipments from the U.S., Australia and South Africa.

Although the full 750,000 tonnes a year named in the new agreement may not be met, even half that quantity will be a useful addition to British coal exports.

GLC ELECTION IMPLICATIONS

Why Labour's Left faces an uphill struggle

BY ROBIN PAULEY

IT IS beginning to look as if the new Left-wing leadership of the Greater London Council may find itself unable to carry out parts of the manifesto on which all shades of Labour opinion are agreed.

The Left, led by Mr. Ken Livingstone, may already have made a crucial political misjudgment by giving so many committee jobs to their own faction when they have to operate with a majority of eight in the 92-member GLC.

In addition, changes on the Inner London Education Authority could cause special difficulties. Any issue not specifically covered by the Labour manifesto is likely to put the Labour majority at risk.

The task of Labour's whips has been made the harder by the Left's almost total dominance of committee jobs. Mr. Livingstone has ignored the lesson so well understood by Mr. James Callaghan and Sir Harold Wilson; tiny majorities require the widest possible spread of jobs and responsibilities to hold them together.

One of the first tests is likely to result from one of the first statements from new GLC chairmen. Mr. Tony Banks, chairman of the arts and recreation committee, wants the £275,000 grant for 1981-82 to the Royal Opera House Development Appeal cancelled even though it is part of a five-year commitment to the Opera House.

This is not in the manifesto. Mr. Banks has no moderate vice-chairman to back him because that job went to another Left winger, Mr. Peter Pitt. The Conservatives who made the commitment will not agree to the cancellation. The one Liberal is unlikely to agree. Moderates will not feel obliged to support such a move because it is not in the manifesto. The proposal could well fail. It is a small item but not unimportant and could be repeated.

One feature of Mr. Livingstone's leadership is the influence of non-elected members. It is not surprising that he arrived at the Labour group meeting with a list of people he wanted to have jobs. It is surprising that Mr. Andrew McIntosh, former Labour group leader, did not turn up with a similar list.

But more curious is that the group of people at one of the secret caucus meetings beforehand were not all elected GLC members. It is not in doubt, for example, that Mr. Ted Knight, leader of Lambeth, who failed to capture a seemingly safe Labour seat on the GLC, was involved in the decision-making about jobs.

He is an old friend of Mr. Livingstone, who also used to be a Lambeth councillor. He was not the only non-elected person to play a role.

There is a similar difficulty over the composition of the Inner London Education Authority. This has always included co-opted members—teachers, education experts, parents or people with a particular skill.

But the new Left-wing chairman, Mr. Bryn Davies, another Lambeth councillor, is co-opting unsuccessful Left-wing Labour candidates in the GLC election. So Miss Anna Bowman, who failed at Hampstead, and Mr. Stephen Benn, Mr. Tony Benn's son, who failed in the hopeless Chelsea seat—both ILEA seats—are being co-opted to add to the Left's strength. Co-opted members have full voting rights.

Some Labour members are also concerned about Mr. Davies' behaviour over this week's election for the leadership of Lambeth Council's leader. He was inclined to vote for Mr. Knight but he was mandated by his branch in Vauxhall to vote for Mr. Knight's opponent, Mr. Peter Dean.

This all adds to suspicions that the Left is susceptible to, and approves of, mandating by ward committees, local government committees and possibly union groups, none of which are comprised of elected members of the GLC.

Much of what Mr. Livingstone wants to do would require a change of Government policy and even legislation, none of which is likely to be forthcoming under the present administration.

So, when he talks of a large-scale house building programme he means that he wants to persuade the Government to reverse its policy on council building. He will undoubtedly put in a large claim for permission to borrow to build; he is equally certain to get a cool response. Local authorities up and down the country have had their housing programmes cut to the bone.

Without Government permission to borrow, house building on anything other than a very minor scale is out.

The Left's proposed resistance to council house sales will be against the law if it prevents potential buyers from completing the deal. Plans to refuse to process the transfer of the last batch of council houses designated to move from GLC control to the boroughs in which they are sited may cause delay but are unlikely to prevent the change. See Page 14

When Mr. Livingstone talks about putting the Metropolitan Police under GLC control rather than the Home Secretary's he means that he wants the Government to legislate to that effect.

This prospect also looks unlikely. Its chances will not have improved with the nomination of Mr. Steve Bundred, newly elected Militant member for Islington, as deputy chairman of the police committee.

One programme which will be implemented is the fares cut on London Transport which will take place in the autumn and will require a supplementary rate of between 6 and 8p in the pound. A second supplementary might also be required if ILEA changes its budget plans or restores cuts this year.

But the Government has a special weapon on transport in the form of the transport supplementary grant which it can reduce without detailed explanation. This would mean that a larger proportion of the costs would have to be raised from the ratepayer, which in turn raises another problem.

GLC spending levels will be subject to increasing loss of Government grant if they are raised significantly. This means, in effect, that every extra £1 of spending will require £1.68 from ratepayers. The GLC raises about two-thirds of its rate from the business rate. If the Government acceded to commerce and industry demands for limited rate rises—and the signs are that it will—this would put an enormous extra burden on the domestic ratepayer.

This, in turn, would be contrary to the GLC Labour group's aim of not alienating Londoners before next year's London borough elections.

One other limiting factor will be the officers of the GLC who may eventually save the Left from themselves. Nothing is likely to curb a strong ideological programme faster than the financial implications clearly written down on one side of a sheet of paper.

With ILEA now in the hands of a chairman who has been on the authority for only 15 months and a vice chairman with only one week in local government the very experienced officers will undoubtedly play a significant guiding role in the beginning, at least as far as financial implications are concerned.

All in all, the spectre of the Left could turn out to be a good deal less radical than expected.

Goodyear calls for jobs cut of 300

By Arthur Smith, Midlands Correspondent

GOODYEAR called yesterday for a cut of up to 300 jobs at its Wolverhampton tyre factory, after a net loss of £3m in the first quarter.

Mr. Gene Culler chairman of Goodyear Tyre and Rubber (UK), told employees in a letter that economies were necessary to ensure continued viability of the Wolverhampton factory and security of employment for the 4,500 workers.

The loss is a setback for the company, which made £560,000 profit in 1980. That recovery followed losses in the two previous years of £13.4m and £21.4m.

Nearly 1,200 jobs have been shed at the Wolverhampton plant since the end of 1978.

The U.S.-owned Goodyear (UK), with another plant in Northern Ireland making general rubber products, has 9,000 workers.

Steel static

STEEL PRODUCTION last month averaged 308,700 tonnes a week, little change on March. The April weekly rate of output, though still 23.6 per cent below the April 1979 level, is substantially above the average for the second half of last year, 241,800 tonnes. Last month's performance was 26.7 per cent higher than April 1980 but comparison is distorted by recovery from the national steel strike.

No-treasure island

HIGH COST of living on a Hebridean island does not give the islanders a right to increased social security benefits, the House of Lords ruled. The Law Lords unanimously allowed an appeal by the Social Services Secretary against the Scottish Court of Session decision in favour of two residents on Colonsay for higher benefits on account of cost of food, transport, heating and clothes.

Cash for Scots

A COMMITTEE of U.S. businessmen has been set up in California to encourage U.S. companies to invest in Scotland. Called the Scottish Investment Committee, it will advise companies on setting up trade, investment and industrial links.

Welsh waters

THE WELSH Water Authority is to investigate the possibility of charging more for bulk supplies to English authorities to ease Welsh water rates. The move follows a hint from the Government in the Commons that it might not object to transfers between water authorities being charged at more than cost price. The Severn-Trent and North-West Water Authorities draw much water from Wales.

Rockwell venture

ROCKWELL International, the U.S. multinational, will build a valve plant at East Kilbride, Scotland. More than 100 jobs will be created initially.

Air levy cut

AVIATION SECURITY levy, raised to £1.60 for every arriving passenger at airports last year, will be cut to £1.50 from August 1.

Mr. Reginald Eyre, Under-Secretary for Trade, said fresh estimates of income from the levy showed a substantial susplus by the end of this financial year. Since the objective is not to make a profit but cover costs, it will be lowered.

BBC claims 60%

THE BBC claims that it won 60 per cent of television audience in April against ITV's 40 per cent. The highest audience of the month, it said, was for the Eurovision Song Contest, watched by 23.2m people.

Bass sells Belgian beer interests to Piedbouef

BY GARETH GRIFFITHS

BASS, the largest British brewer, is to sell its Belgian brewing interests to Piedbouef, Belgium's second largest brewing group in a deal worth several million pounds.

The agreement, expected to be signed soon, means that Bass will no longer be directly involved in brewing on the Continent. It marks the end of an 11-year experiment by Bass to produce beers outside the UK.

The deal does not mean that the company will place any less importance on its Continental operations. The sale will cover a 400,000 bulk barrel brewery at Mechelen, north of Brussels, and about 200 tied outlets and cafés.

Bass has found that its Belgian brewery has been disappointing in its profitability. The Belgian beer market, of which Bass has about 4 per cent, has been static for several years. Profitability has been damaged by strict government price controls.

The two Bass products doing well in Belgium—Bass Pale Ale and Canada Dry—will be marketed like other Bass exports through a new organisation that will be set up in the deal with Piedboeuf.

Belgium is the only country where Bass's Continental subsidiary, Bass European Holdings, operates a brewery or controls tied outlets.

Bass is likely to concentrate on its hotel interests on the Continent in the future rather than beer sales. Crest Hotels, the group's hotel subsidiary, operates 33 hotels in West Germany, the Netherlands, Belgium and Italy, and has been buying hotels recently. Crest earns about half its revenue from overseas operations.

The Bass-Piedboeuf deal involves sales and production equal to that of an independent regional British brewer. Bass, in common with other British brewers notably Whitbread, had great hopes for sales in Belgium in the early 1970s as the Belgian market is very similar to the UK market.

Whitbread said last night that it had no intention of pulling out of its direct operations in Belgium where it was doing well.

State industry investment probes

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GROWING row between the Government and nationalised industries over restrictions on the level of public sector investment will enter a new phase at the beginning of next month.

Two inquiries into nationalised industry investment and its impact on the private sector are to be conducted by the National Economic Development Council and the Treasury and Civil Service Committee.

This will help to focus public and poltical attention on demands for expanded investment programmes from industries usch as British Telecom, British Rail and the Water Council.

It will increase the pressure on Sir Geoffrey Howe, the Chancellor, to make concessions to individual industries which are backed by the Department of Industry and other Whitehall departments.

Earlier this week the Treasury agreed with representatives of the CBI and TUC to devote a major part of the NEDC's meeting on June 3 to what is called the interdependence of public and private sector industries.

The Treasury Committee is planning to question publicly the Government and the nationalised industries in the first half of next month on the financing of State-owned businesses.

The events will enable the Nationalised Industries Chairmen's Group to argue that their investment plans should not be restricted by the Government's public sector borrowing requirement and that some industries should be given more freedom to raise finance from the private sector.

Four specialist advisers have been appointed to the Treasury Committee inquiry. They include Professor Michael Beesley of the London Business School who prepared to recent report on British Telecom's monopoly

The other three are: Mr. Maurice Marks, former planning director at the National Enterprise Board; Mr. David Heald of the University of Glasgow; and Mr. John Redwood of N. M. Rothschild and Son.

● Mr. Christopher Johnson, Lloyds Bank economic adviser, has been appointed the committee's advisor on monetary and banking matters. Mr. Bill Robinson, editor of the London Business School's Economic Outlook, has been appointed an economic adviser.

Sanction on casinos 'must stay'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE HIGH COURT was yesterday urged not to reduce the effectiveness of the cancellation of gaming licences as a "sanction" to ensure casinos are operated legally.

Casino operators feared cancellation of their licences much more than the possibility of fines or jail sentences after prosecution for breaking the law, said Mr. John Marriage, QC.

He was opposing, on behalf of Sir David McNee, the Metropolitan Police Commissioner, appeals by Lonrho and Grand Metropolitan against the cancellation of licences of casino companies they bought from the Coral group.

Last September, the South Westminster gaming licensing committee, in a decision endorsed by Knightsbridge Crown Court in March, held that International Sporting Club (London) and Palm Beach Club were not "fit and proper persons" to run casinos.

The Palm Beach Club was bought by Mecca Sportsman in December and the Lonrho subsidiary, AVP Industries, bought the International Sporting Club in January.

Lonrho and Grand Met have argued that the Crown Court wrongly looked at the past misconduct of the two casino companies, instead of deciding whether the new owners were "fit and proper."

Mr. Marriage said there could be no proper discipline exercised over gaming without the sanction of licence cancellation.

If the appeals succeeded the sanction would be devalued, he said.

The next time a gaming club got into trouble and sought to have its licence transferred the price would be that much higher.

Those who thought they had nothing much to worry about if they acted wrongly or broke the law would believe they could sell with impunity to a buyer which would be prepared to pay much more because it would have no trouble getting the licence transferred.

The effect of that on police attempts to enforce the law would be serious, said Mr. Marriage.

The hearing continues.

M3 rose £1.38bn in April

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING M3, the broadly-defined money supply, rose by £1.38bn, or 2 per cent, in the month to mid-April, Bank of England figures published yesterday show. But the statistics have been heavily distorted by the Civil Service dispute.

The Bank reckoned that the underlying rise in sterling M3 was "appreciably lower." After allowing for the dispute, and other distortions, the rise may have been between ½ and 1 per cent.

The Civil Service dispute has delayed tax receipts and boosted Government borrowing. Particularly, there was a large impact on M1, the narrowly-defined money supply, which rose by 4.8 per cent.

This reflected the fact that companies which had not paid tax had probably allowed their current accounts, included in M1, to rise.

The wider sterling aggregates also rose sharply—Private Sector Liquidity 1 by 2.3 per cent and PSL2 (which includes building society deposits) by 1.8 per cent.

MONETARY GROWTH

CHANGE IN THE MONTH TO MID-APRIL

	£m	per cent
M1	+1,415	+4.8
Sterling M3	+1,377	+2.0
M3	+1,801	+2.4
Bank lending to UK private sector	+ 504	—
Sales of Government debt to non-banks	983	—
Domestic credit expansion	1,864	—

Source: Bank of England

British residents' foreign currency deposits rose by about £420m last month, largely as a result of changes in the sterling value of such deposits rather than through transactions in the month.

Among the counterparts to sterling M3, the central Government borrowed £1.92bn. About two-thirds was a result of the Civil Service dispute.

The rest was fully accounted for by lending to the rest of the public sector. Borrowing by this sector from other sources, net of non-bank private sector purchases of debt, was £100m.

Sales of central Government debt to the public and to non-bank financial institutions were again large, at £983m. Gilts accounted for £540m and National savings accounted for £360m.

Sterling lending to the private sector increased by £504m. This figure is likely to have been affected by the unwinding of arbitrage transactions (switching on interest rate grounds) of possibly about £200m to £300m which distorted the figures in mid-March, and by the effects of the Civil Service dispute.

Lending in sterling overseas rose by £319m. Taken together with a negative item of £539m on external and foreign currency finance, overseas factors as a whole imply an outflow of sterling from the private sector. This suggests a reversal of the external position compared with earlier in the year.

National Freight share sale delayed

By Richard Lambert

SHARES IN National Freight Company, the Government owned road transport business, are unlikely to be sold to the public before mid-1982. It had been hoped the shares would be offered for sale this spring.

When the sale does take place, a substantial portion of the Government's proceeds will go towards funding a deficiency in the group's pension fund. This figure is now well over £25m.

There are three main reasons for the delay. British Rail's decision last year to stop its road-rail parcel service lost National Freight £30m a year of profitable turnover.

In addition, its profits in 1980 were hit by the cost of reorganising the group's parcels service, and by the recession in the UK economy.

It is hoped the group will be able to point to an improving trend in profits when it eventually comes to the stock market. After falling through 1980, the volume of its business hit a plateau last December and has been bumping along at more or less the same level ever since.

So far, the only major success in the Government's "privatisation programme" has been the offer for sale in February of a controlling interest in British Aerospace. Plans to sell shares in British Airways have also been deferred as a result of poor profit figures.

The Government intends to sell its entire shareholding in National Freight, which claims to be the largest freight transport group in Britain.

Heavy demand for modern art in U.S.

DEMAND for contemporary art in the U.S. remains tremendous, judging by the results of Christie's New York sale on Wednesday. Twenty artist record prices were established, including £104,761 for a 1977 work by Willem de Kooning, Untitled III; £90,476 for Coexistence by Robert Rauschenberg, (now on show at the Tate): and £85,714 for Layson Millerbird, by Frank Stella.

SALEROOM

BY ANTHONY THORNGROFT

At Christie's Geneva sales a parcel gilt model of a dromedary and driver by Wolfgang John the Younger, made in Augsburg about 1670, fetched £46,082 in a silver sale to Armitage, the London dealer.

At Sotheby's yesterday Autumn Sunlight, a late Victorian painting by Jessica Mayllar, sold for £20,000 at Chester, highest price achieved at the auction house, which opened almost a year ago.

The Old Master sale of engravings made £308,150, but almost a quarter of the sale was bought in. A Rembrandt etching of St. Jerome Reading in an Italian Landscape sold for £21,000: The Small Passion by Dürer made £13,00.

BP plant hit by explosion hours before Sullom Voe bomb blast

BY SUE CAMERON AND MAURICE SAMUELSON

HOURS BEFORE the bomb blast at the British Petroleum managed Sullom Voe oil terminal on Saturday, an explosion hit a BP plant at Grangemouth, central Scotland, 340 miles away.

Investigations are continuing into the cause of the explosion and fire which hit the 290,000 tonnes a year chemical plant at Grangemouth early on Saturday morning.

Police said last night there did not appear to be any suspicious circumstances surrounding the Grangemouth explosion. They refused to say whether the possibility of a bomb being planted at Grangemouth had been ruled out.

The police have decided the explosion at Sullom Voe, which took place during the Queen's visit to the oil terminal, was caused by a bomb.

The Grangemouth explosion is said to have led to a fireball which destroyed instrumentation and cabling at BP Chemicals' 12 year old ethylene plant. Ethylene is the so-called building block of the chemical industry. It is used to make a wide range of products from plastics to solvents.

BP Chemicals said an entire section of the plant had been affected. The damage could be repaired within weeks.

The explosion could have serious implications for the UK-based company. The Grangemouth ethylene plant plays a key role in BP's hopes of using gases from the planned £2.7bn North Sea gas gathering system as a raw material for making ethylene. Like most UK ethylene plants, Grangemouth uses oil-based raw materials.

Saturday's explosion occurred a week after the plant had been reopened so BP Chemical could run tests designed to see if the plant could take gases as a raw material.

With Shell, Esso and Imperial Chemical Industries BP Chemicals has campaigned for gases from the new offshore pipeline to come South after they are landed. Other chemical companies want the gases to go West to Nigg Bay on the Cromarty Firth in Scotland.

Government recruits top oilmen

BY RAY DAFTER, ENERGY EDITOR

THE ENERGY Department has recruited two senior oil executives from British Petroleum and the British National Oil Corporation to head its petroleum engineering division.

Mr. Peter Walmsley, BP's regional exploitation manager for the Levant, Middle East and Indian sub-continent, is to be the £27,500-a-year director of the division, which oversees for the Government oil and gas exploration and development activity.

Mr. Ken Trott, assistant general manager for BNOC's development partnership interests, is to fill a new post of deputy director at a salary of about £24,000 a year.

The appointments, which stem largely from yesterday's retirement of Mr. Henry George as head of the division, follow an extensive search for qualified petroleum engineering staff to monitor increasing offshore activity.

The division is still seriously understaffed because of the competition for experienced oil industry personnel from operators in the North Sea and other emerging production centres.

The pressures on the division have also increased because of the Government's active licensing policy and its decision to end BNOC's role as a statutory adviser to the department.

Mr. Walmsley, 51, has more than 30 years' experience in oil and gas exploration, including 12 years working in the North Sea. Between 1972 and 1978 he was BP's exploration manager based in Aberdeen.

Mr. Trott, who has also worked for BP's exploration and production department, joined BNOC as participation manager in August 1978. He was appointed general manager of BNOC (Development) in September 1979 and to his present position in September last year. His previous appointments included general superintendent of the production development department of Kuwait Oil Company.

Diving-bell rescuers 'disagreed'

FINANCIAL TIMES REPORTER

DELAYS in launching a rescue operation for two divers trapped at the bottom of the North Sea led to disagreements between a rescue vessel and a diving support ship, an inquiry was told yesterday

The disagreements arose between the support vessel, Wildrake, and the rescue ship, Stena Welder, during a 17-hour rescue operation at the Thistle A platform site, north-east of Shetland.

Mr. Richard Walker and Mr. Victor Guiel, two American divers, died on August 8, 1979, after their diving-bell became separated from their support ship near the platform

The original rescue attempt, using the bell's umbilical lifeline cable, failed, a fatal accident inquiry in Aberdeen was told. Although a life wire was successfully attached to the bell by divers from the Stena Welder, the wire parted. It took a second attempt before the bell was brought to the surface.

Mr. Brian Masterson, commercial director and majority shareholder of Infabco, the diving company, who was on board the Wildrake, said yesterday that the disagreements were mainly about the time taken to complete operations during the rescue effort

"Continuously, throughout the day, I asked why it was taking such a long time," he told the fourth day of the inquiry, before Sheriff Douglas Risk.

Reasons for the delays, he said, were the positioning of the Stena Welder near the Wildrake, while avoiding her anchors; switching the Wildrake onto dynamic positioning, and problems with the Stena Welder's hot water and communication systems for their own divers.

He disagreed with Mr. Reg Christie, representing the families of the dead men, that he had called a vessel which was not fit for the operation. He agreed that all the problems could have contributed to a delay in the rescue operation.

Mr. Masterson praised the captain of the Stena Welder for holding the vessel on position manually for the 17-hour rescue operation. Later, he said he had never been told that the diver's umbilical systems on the Stena Welder were undergoing repair and maintenance when he called the vessel to help the rescue. The inquiry continues.

Protest over liquefaction plant delay

BY JOHN LLOYD, LABOUR CORRESPONDENT

The National Coal Board and the mining unions have asked for an urgent meeting with Mr. John Moore, Under Secretary of State for Energy. They want to protest over Government delay in approving the oil-from-coal liquefaction plant at Point of Ayr, North Wales.

The Department of Energy has said there are questions over the project and it cannot yet decide.

Mr. Joe Gormley, National Union of Mineworkers' president, said yesterday that it was "ludicrous to have this delay." To scrap the scheme would be to waste money already spent.

The mining unions would ask the TUC to support them in "keeping the pressure on."

Mr. Gormley also said the NUM executive, which met in Sheffield yesterday, before a visit to the Safety in Mines Establishment, would urge mineworkers to help push the sale of coal. "They have to become salesmen. It is no use just talking about workers' control without doing anything about it."

Scarman hopes inquiry will improve policing

LORD SCARMAN yesterday opened an official inquiry into last month's Brixton riots and said he hoped for better policing of multiracial areas.

"I hope positive recommendations will come out of the inquiry to improve policing and community relations," he said in an interview before yesterday's preliminary hearing.

He warned that if the Government ignored the inquiry's independent recommendations it would do so at its peril.

The inquiry was set up by Mr. William Whitelaw, Home Secretary, in the wake of the weekend of violence in South London in April. It will begin to hear evidence in Brixton on June 15.

Lord Scarman said that in spite of claims by some black community groups that the inquiry would be boycotted the response from people wishing to give evidence had been good.

"Of course there is unease. There are bound to be misgivings. But we shall be able to get a fair range of evidence.

"I will get substantial co-operation — enough to get through to the truth," he said.

During the opening session of the preliminary hearing at Church House, Westminster, Lord Scarman revealed that witnesses would be granted a degree of immunity from prosecution.

"Never have I known an immunity granted wider or deeper than the Attorney General is prepared to offer in this case," he said.

A witness could "be assured that neither his evidence before the inquiry, nor any documents he is required to produce to the inquiry will be used against him in any subsequent criminal proceedings."

But evidence might be used in proceedings against a witness who gave false information. And the immunity would not prevent the bringing or continuation of criminal proceedings against witnesses if there was other evidence.

Lord Scarman said he would conduct the inquiry in two phases. The first would cover the disturbances and their immediate causes.

The second will cover a broader range of issues, starting with the policing of multiracial areas. Evidence will also be taken on housing, employment and other social problems.

Witnesses who give evidence may, at Lord Scarman's discretion, be cross-examined by counsel for bodies granted representative status at the inquiry.

These include the Borough of Lambeth, the Metropolitan Police, the Brixton Defence Committee, the Railton Road Youth Centre, the Council for Community Relations in Lambeth and the Commission for Racial Equality.

Plans for rail electrification go to Think Tank

BY ELINOR GOODMAN

BRITISH RAIL'S proposals for major investment in electrification have been referred to the Think Tank (the Central Policy Review Staff).

Professor Alan Walters, the Prime Minister's economic advisor, has also been asked to study the plan, the biggest capital spending project under review by the Government. The plan has already been the subject of considerable discussion by Ministers.

The two reports should be ready in the next few weeks. The recommendations will then go to Ministers, who are involved in a much wider discussion about the principle of using public sector investment to stimulate the economy, and how to finance it.

Specifically, the Think Tank has been asked to examine the basic assumptions behind the BR plan. These involve extra demand for BR's commercial services, a small rise in the real cost of fares, better productivity and more efficiency.

Some Ministers feel these assumptions may be too optimistic and that therefore it would be a mistake to commit themselves now to BR's most ambitious electrification plans.

The Think Tank is often called in to advise on major decisions—it was involved, for example, in the British Steel plan.

But the decision to call it in over BR also reflects the emphasis some Ministers are putting on the need to ensure that any public sector investment is soundly based and capable of producing a good return, rather than just part of some new vogue towards capital spending for its own sake.

BR and the Department of Transport submitted the electrification proposals jointly in February. They put in three different options, ranging from a relatively modest extension of electrification over five years, to a programme which would cost £775m over the next 20 years.

Alan Pike reports on a project which the Employment Secretary says is 'a new technology response to the challenges of a new technology age'

Open Tech holds key to new training needs

THE OPEN TECH, designed to help British industry meet the training needs of a second industrial revolution, will have to prove itself in a labour market where attitudes older than the first Industrial Revolution are still to be found.

"Second industrial revolution" was among a collection of enthusiastic phrases with which Mr. James Prior, Employment Secretary, greeted the publication yesterday of the Manpower Services Commission's consultative document on the Open Tech programme.

He spoke, too, of the project being "the first step in a process that could alter radically our whole approach to technical training and retraining for adults," and a "new technology response to the challenges of a new technology age."

Given Mr. Prior's long and passionate dedication to the idea of an Open Tech—and, more importantly, the fact that his remarks yesterday could prove to be well justified—there is little doubt that the Open Tech will take off. Its first students are likely to be at work early next year.

What, then, is the Open Tech? Perhaps the most important starting point is that it is not intended to be a technical-level imitation of the Open University.

Like the Open University, it will include distance learning techniques, correspondence material and, justifying Mr. Prior's "new technology response" comment, a range of more sophisticated surrogate teachers such as video cassettes and computers. But whereas the Open University is a fully-fledged separate institution—it has its own buildings and academic staff and awards its own degrees—the Open Tech will be completely different.

Experimenting

Those looking for the Open Tech as a concrete institution will, at least initially, find no more than a range of information centres around the country, and a small highly-specialist unit in the MSC directed by a steering body drawn from industry, education and government.

In its first three to five years, which will involve a great deal of experimenting on unknown ground, the Open Tech will develop and introduce between 12 and 20 major open learning schemes designed to improve the training of technicians in industry.

These schemes are likely to consist of a mix of specially developed Open Tech material and facilities already available—an Open Tech student might thus combine studying at home on Open University lines with work in a local technical college or his employer's training centre.

One obvious advantage of operating the Open Tech in this way is cost. The use of existing resources where available will enable the new programme to run on an initial budget of no more than £10m per year—a fraction of the cost of establishing a self-contained new institution.

In the long term, however, there may prove to be a far more fundamental advantage than the cost one. By using other educational institutions as agencies for projects which it has commissioned, the Open Tech could gain greater influence over the shape of technician training in Britain than would be possible through a single self-contained college.

The Open Tech is linked to one of the central objectives of the New Training Initiative to be unveiled by the MSC and the Government later this month—the need to enable adults to increase and update their skills throughout their working lives.

One of the few certainties of the labour market in the coming decade is that traditional craft and semi-skilled jobs will decline, with the requirement for professionals, technologists and technicians increasing.

"All too often technican level staff have not the technical knowledge.. or the administrative, 'people' or business skills which enable them to support competently the management or professional staff above them," says the MSC consultative document on the Open Tech.

The need to improve technician training is unlikely to be a controversial issue in the debate on the Open Tech during the next few months. Many employers told the Finniston inquiry into the engineering profession that they experienced acute difficulties in recruiting engineering support staff and first-line supervisors, and the committee believed that urgent action was necessary to increase the supply of engineering technicians.

The Open Tech is based on the belief that one of the major reasons for this problem is that existing methods of study are not acceptable to large numbers of potential trainees.

Distance learning differs from conventional tuition in many ways but the most crucial is that it is, in the words of the consultative document, centred on the needs and circumstances of students "rather than those of educational or training institutions and their administrative systems."

Three types of adults are likely to make up the Open Tech's student intake:

- Those whose training and retraining needs have been recognised within their company. This may lead them either to existing national qualifications, or to the development of a training package to meet the needs of a particular organisation or industry;
- Individuals who are simply trying to increase their skills or knowledge out of personal motivation;
- The unemployed and others, such as married women with families, who are seeking to return to work.

Restrictive

There are many reasons why all these groups may shun conventional technical college study. Traditional-style courses, even if they are available locally, are often held at inconvenient times for people like shift workers. They frequently have restrictive entry qualifications based on age or educational attainment, and some adults fear they will be faced with an over-formal, classroom approach.

First indications are that industry and further education will, in the main, give the Open Tech a qualified welcome although both will want to clarify some of the proposals in the consultation period.

The system will have to ensure, for a start, that Open Tech students study the right things. With the Open University, where personal development is the core of most students' motivation, this is no problem. But employers will be concerned that Open Tech students follow courses appropriate to their industrial needs.

Perhaps the biggest test, however, will be whether the Open Tech and accompanying developments in industrial training being prepared by the Government and the MSC can significantly shift attitudes in a society where it is still regarded as natural that a single skill should last a lifetime.

Many workers have traditionally preferred fighting to keep old techniques alive rather than training for new ones.

Elf may link with British boilermaker

BY MAURICE SAMUELSON

ELF-AQUITAINE, the French State-controlled oil company, is considering a link with a British boilermaker to strengthen its position in France's growing industrial market for coal.

NEI Cochran and Parkinson Cowan GWB are among several companies recently approached by Elf, which controls 25 per cent of France's fuel oil market. Both are market leaders in the field of package shell boilers. Cochran is the biggest manufacturer in Europe.

Two weeks ago, the UK subsidiary of Petrofina, the Belgian oil company, bought two UK energy companies, one a boiler contractor, as part of a drive to capture some of the British coal market.

Elf has its own UK outlets, but it is interested primarily in strengthening its sales of coal to industry in France. The French Government's target is to boost industrial coal consumption from 4m tonnes to about 15m tonnes by 1990.

Elf believes that the switch to coal from oil and gas will be led by the smaller industrial users who rely on the range of coal boilers for which British manufacturers have established a world-wide reputation.

Its talks with Parkinson Cowan GWB, a Thorn subsidiary, seem to have been little more than technical appraisals. Those with NEI Cochran, however, have covered the possibility of a joint marketing arrangement which would raise Cochran's boiler sales in France.

Cochran has had a French marketing subsidiary for eight years and says it has supplied 80 per cent of the coal-fired boilers installed there in that period, mostly to public institutions, including the French Defence Ministry.

However it fears that French manufacturers will try to seize the coal boiler market for themselves and close ranks to exclude foreign suppliers as conversion to coal gathers speed. A link with Elf, which would help to finance sales, would partly protect Cochran from these pressures.

For the same reasons, the company is holding separate talks with a leading French boiler maker on joint production. This could involve Cochran providing automated controls, delivery and ash removal equipment, with the French partner building the boiler shell.

With France reliant on coal imports from various countries, boilers will have to be versatile enough to handle different grades of coal. Cochran, whose specialities include an automated, mobile grate, believes it has the right equipment, made at its plants in Annan, Dumfriesshire, and Glasgow.

Tax cut hopes depend on public spending review

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE PROSPECTS for tax cuts next year depend on the public spending review which has just started, according to Mr. Leon Brittan, the Chief Secretary to the Treasury.

In a speech to an executive seminar in London, Mr. Brittan defended the Government's reluctance to adopt as radical an approach to spending as in the U.S. and Sweden.

While the Government had substantially cut expenditure planned by the last Labour administration, spending on the National Health Service, pensions, child benefits and on other social security benefits was actually increasing.

"We have for very understandable reasons trimmed, rather than axed," he added.

Mr. Brittan pointed out that this had led to a need for very large tax increases this year to bring down the level of borrowing.

"Now we are once again embarking on the annual review of public spending and within the context of the need to keep borrowing down, we shall in effect already be setting the bounds for next year's Budget.

"For it is abundantly clear that the posture we adopt later this year towards public spending is likely to be the crucial factor in determining the scope for the Chancellor in his Budget next year."

During his speech, Mr. Brittan stressed the action taken by other governments to restrain the growth of public spending, notably in the U.S., Japan, Italy and Sweden.

He argued that there was "nothing eccentric, unusual or bizarrely ideological" about the Government's desire to hold down the size of public sector borrowing.

Medical insurance group launches dental scheme

BY ERIC SHORT

PRIVATE PATIENTS PLAN, the second largest medical insurer in the UK, has launched a dental insurance scheme, Dentalplan, with the Sussex-based insurance broker Burgoyne, Alford.

Initially the plan is available only to existing subscribers as an optional extra to medical insurance contracts, in both individual and company schemes. PPP hopes to extend the scheme to non-subscribers.

The major medical insurers in the UK have for years kept out of the dental insurance market, largely because they were uncertain about either demand for this treatment or the costs involved.

PPP has been under strong pressure from its existing individual and company policyholders to provide dental insurance.

PPP has therefore linked with an insurance broker specialising in dental insurance in the UK to design and market its scheme. But the company is taking precautions to avoid financial problems.

Its plan will be underwritten at Lloyd's by syndicates specialising in dental insurance, instead of underwriting the risk itself as it does with medical insurance. It has pitched the benefits on the low side, with the policyholder having to meet 25 per cent of the costs for routine treatment and 30 per cent of the costs for major restorative treatment.

Mr. Derek Damerell, chief executive of British United Provident Association, the largest medical insurer in the UK, said the company had been considering a dental insurance scheme for some time.

Western Provident Association, the other major medical insurer in the UK said it was investigating the market.

ADVERTISEMENT

INSIGHT INTO JAPANESE MANAGEMENT

Mitsubishi Electric

Electronics—a future priority

BY DICK WILSON

Mitsubishi Electric Corporation is one of the many manufacturing companies in the mighty Mitsubishi family.

Founded in 1921 on the basis of shipyard work going back to the 1880s, it has become a major producer of the whole range of electrical and electronic goods, both industrial and consumer.

The 1979/80 sales grossed $5.4 billion, with a net income of $148 million—almost half as much again as the previous year. The most recent half-years show sales another 14% higher than the same period of previous year.

MR. TADAYUKI AGO
Senior Representative, Mitsubishi Electric Corporation

MR. YUZO TOMINAGA
Joint Managing Director, Mitsubishi Electric (UK) Limited

MR. YOSHIO NOGUCHI
Joint Managing Director, Mitsubishi Electric (UK) Limited

In Britain, Mitsubishi Electric has three operations: its own company representative office, Mitsubishi Electric UK and Mitsubishi Electric Netherlands with its office at Croydon.

The first represents the Tokyo head office run by Mr. Tadayuki Ago and the third is responsible for engineering of heavy machinery and systems headed by Mr. Shigeru Aida.

The most interesting development, of course, is the establishment of Mitsubishi Electric UK with its headquarters at Watford and its factory for colour TVs at Haddington just outside of Edinburgh.

The Joint Managing Directors of this are Mr. Yuzo Tominaga and Mr. Yoshio Noguchi, with Mr. Ray Russell as the General Manager at Watford.

Mitsubishi Electric UK took over from the earlier Mitsubishi Electric Service UK, which had been founded in 1972 to provide after-sales servicing. The company's roots in British thus go back almost a decade.

As you drive from Heathrow airport into London nowadays, you are greeted by a huge Mitsubishi Electric poster. This is the first major effort to familiarise the British public with one of the most famous brand names in Japan.

The company's range of production today is remarkable. On the electronics side some of the products are satellites, communications equipment, computers and facsimiles.

"Efficient use of energy and resources"

The chairman, Mr. Sadakazu Shindo, has said in the most recent report that electronics constitute Mitsubishi Electric's first priority in the future.

"The world-wide need," he declared, "for more efficient use of energy and other resources makes it imperative that electronics enhance all phases of life in the 21st Century.

"Semi-conductor technology is basic to the startling advances being made in electronics, and Mitsubishi Electric is hard at work on semi-conductor research and development."

In heavy machinery the production ranges from generators to power systems and escalators. The company has supplied equipment for Japan's largest nuclear power plant.

Industrial items on the production list range from semi-conductors to air conditioning equipment, while the consumer catalogue is almost endless.

Behind this variety and excellence of production lies an extremely active research and development division. R & D expenditure rose by 20% over the past year.

Among the achievements of Mitsubishi Electric's scientists are a huge "Diamond Vision" screen for outdoor display in colour and an optical chracter reader which can read alphabets, scientific symbols, Arabic numerals or even Japanese characters.

Most of Mitsubishi Electric's efforts are geared to the domestic Japanese market, but its international activities account for about 18% of sales.

The products most in demand abroad are heavy electrical machinery such as 2,400,000Kw thermal-power plant for Kuwait and three 80Mw hydro-electric power plant for Iraq.

But consumer products like air conditioners and TV sets together with such industrial items as No-Fuse breakers and automotive equipment and electronic items like office computers are also important.

The Middle East, Asia and Latin America are, in that order, the leading overseas markets. To cover these international operations, Mitsubishi Electric maintains 32 sales corporations, 24 production centres, 14 representative offices and over 30 sales offices abroad.

How does the company's operation in Britain work? Mr Ago, the company representative in London, is 44, and he has served in Australia and the Middle East.

Ago: "We opened up our London representative office in 1968 to co-operate with European manufacturers in an international consortium for a huge Latin American hydroproject.

"One of the most successful industrial operations for us here is in supplying three communications satellite antennae for British Telecom, besides the sales of mass-produced items. But most of the work we do in London is for third country markets, mostly in the Middle East and Africa. We do communications equipment business in the Scandinavian market quite successfully from here."

Mr. Tominaga, the Joint Managing Director of Mitsubishi Electric UK, takes up the story.

Tominaga: "Our parent company is established world-wide in manufacturing, engineering and marketing. We began in East Asian countries, then America and now, in the third generation if I can put it like that, in Europe, Latin America and Australia.

"We at Watford handle mass-produced items such as colour TV, audio equipment and VTRs. We also handle industrial goods such as starters and alternators for cars, sewing machines, as well as electronic items like semi-conductors, picture tubes and computer monitors.

"NOW WE ARE MANUFACTURING COLOUR TVs AT HADDINGTON."

The factory in Scotland was purchased from Tandberg of Norway, which was also making TVs there at the time. The Mitsubishi Electric production has been going for the past 15 months, with the current work force of about 200.

The original expectation was that about half of the output would be exported to the Continent and the Middle East. But the strong pound and the big UK demand for the models mean that about 90% of capacity is now for the domestic market, with a little for Ireland. Production is targeted at 100,000 sets a year.

The Joint Managing Director of the factory is Mr. Yoshio Noguchi, who described the underlying philosophy of the operation as one of "working harder together to get more profits to feed back to the workers in the plant."

He stresses particularly the importance of punctuality, so meticulously observed in Japan, of team work and of flexibility.

This latter means, for example, that if one assembly line is delayed by the tardiness of incoming components, its workers can happily move to another line to help out there, if possible.

"Positive, frank and friendly debate is vital"

Wilson: "Then now do you run a quality control system at Haddington?"

Noguchi: "Quality control is a continuous function with us, and quality is built into the product throughout the manufacturing process. We do not, therefore, have special quality control inspectors patrolling the production lines—each individual operator checks his or her own operation rigorously and this system ensures an extremely high standard of quality control.

"In any event we are able to give a 2-year guarantee on our sets from Scotland.

In the words of Mr. Campbell Gill, the Personnel Manager, "The company belongs to everybody, not to somebody outside, and a consultative committee representing the shop floor workers negotiates terms and conditions of work 'like a family'."

The management formally meets with employee representatives once a month in order to maintain a dialogue, to explain and discuss problems and to take up suggestions from the floor. This is regarded as a key mechanism for diffusing knowledge about the company and for setting production targets.

The Mitsubishi Electric approach is also to stress localisation and to regard the few Japanese as temporary. As the annual report from Tokyo puts it, "it is planned to gradually phase out the Japenese management and to make this a completely British or European affiliate.

The three chief executives in London were asked to comment on the style of management which the company follows. Mr. Ray Russell, General Manager, spoke from the experience of working in British companies earlier.

Russell: "Japanese management has closer links with workers. Management and workers in Japan try to engender a family atmosphere, all having a common objective in the success of the company. So we try to get everyone here involved.

"We keep everybody very busy which, despite protests to the contrary, I think most people prefer. It is only when you don't have enough to do that dissatisfaction begins to creep in."

Wilson: "How do you take your decisions? This is something commonly said to be done differently in Japan and Britain."

Ago: "The usual thing is to say that the Japanese method is to decide from the bottom upwards, whereas Europeans would place the burden squarely on the shoulders of the individual executive or engineer responsible.

"This is a rather extreme way of depicting the so-called consensus and the so-called one-man-decision systems.

"But we do in our engineering office in Croydon have problems of comprehension. We do spend time finding compromises and consensus uniting the various opinions of various staff there to decide which direction we should really go."

Tominaga: "I believe totally in free speech in every aspect of decision-making process. Positive, frank but friendly debate between the members of staff at all levels is vital if we are to make the best use of the talents we have at our disposal.

"Often in the UK, employees seem to follow their boss's direction without expressing their own opinions. We have found that honest exchanges of opinions throughout the company provided us with much more dynamic and positive management style."

These comments are endorsed by some of the British staff at Watford. Trevor Martin, a 25-year-old service supervisor, for example, declared that the Japanese were "more interested in what you have to say about things." The enterprise is treated "more like a family business than a place of work."

Ann Harris, secretary to the Service Manager, is a younger recruit, at 21. "They expect us to work hard," she explained. "They don't expect you to keep an eye on the clock and maybe rush off."

Miss Harris particularly appreciates the good communications in Mitsubishi Electric. She can go as high as the Managing Director himself with a problem, impromptu and without appointment, and get some response or decision. She likes this because "you can get the problems across in a friendly way without disruption to the company or to the rest of the employees."

ION IMPI

Top civil serv ts back action

BY PHILIP BASSETT, LABOUR STAFF

SENIOR civil servants, including union members representing staff up to the rank of Permanent Secretary, voted decisively yesterday to continue their involvement in the campaign of action in the Civil Service over pay.

However, the effect of the position of the First Division Association, representing about 9,000 senior staff, mainly in Whitehall, could be to delay any intensification of the campaign into a week-long all-out strike.

Strong support for continuing the selective strikes rather than taking all-out action also came yesterday from Mr. William McCall, general secretary of the moderate Institution of Professional Civil Servants.

"My own personal view is that I think it would be preferable to stick to the present strategy and develop it," he said in London. The institution will consider at its conference next week an emergency motion on pay from the union's executive supporting escalation by all the unions, though only in consultation with members.

Other large unions in the Civil Service have already voted at their annual conferences for the Council of Civil Service Unions to take wider action.

The decision of the First Division Association at its annual conference yesterday "to continue to bear its full share of the CCSU campaign" is important not in terms of the effectiveness of the campaign, since the part played by association members so far is small, but in terms of the maintenance of the unity of the nine unions involved and as an indication of the continued strength of feeling, at even high levels in the Civil Service.

The insistence of association delegates yesterday and of the emergency motion carried on the importance of negotiations, particularly over the proposals for future pay put forward by the Government, will act as a guard against some more militant unions.

However, because of rule changes on industrial action promulgated by the conference yesterday, the FDA will not be able to take part in any action longer than one day without another ballot of its members. Efforts to have a ballot before any further action is taken were defeated.

If the post-conference meeting of the CCSU's major policy committee, due on May 26, decides to go for a week-long strike it could not take place with all the unions involved until the FDA had completed its ballot, which takes about three weeks. This means that the campaign could continue until at least the end of next month.

If the CCSU decision was put to an FDA ballot, too, there is at least some chance of its being defeated, splitting the unions. The FDA's decision to join the campaign, which shocked Ministers, was only by a narrow majority of 52 per cent to 47 per cent.

The traditionally non-pelitical FDA also voted for greater involvement in the TUC.

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BSC plan on worker directors 'to stay'

By Our Labour Editor

THE Government has decided to continue a worker-director scheme at the British Steel Corporation after the three-year experiment ends in September, according to the industry's biggest union yesterday.

The reported decision was greeted with "surprise and delight" by Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation and chairman of the TUC steel committee, who is circulating union branches asking for nominations.

But last night the Department of Industry said no decision about renewing the appointments had been made.

Six main board places were created for trade unionists during the chairmanship of Sir Charles Villiers, who extended the system of regional worker-directors which had existed for many years.

Union leaders are surprised because the Government ter- ed a similar experiment he Post Office, on the ice of the then PO chairman, Sir William Barlow, and to the dismay of Post Office unions.

One of the six seats may remain unfilled. This was set aside for the Steel Industry Man- has merged with a craft union agement Association which already represented on the board, the white-collar section of the Electrical and Plumbing Trades Union.

Mobil drivers in 11% deal

BY NICK GARNETT, LABOUR STAFF

MOBIL HAS concluded an 11 per cent pay deal with its tanker drivers and ancillary workers, which is certain to be an influence on the level of wage settlements in other oil companies until the end of next year.

The settlement, to run from this month, also involves a commitment to reduce the working week to 37½ hours by January 1983.

This will also influence negotiations in the rest of the oil industry, which, unlike Mobil, has a November settlement date for tanker drivers.

There has been, in any case, a trend towards a reduced working week in the oil and chemical industries. Basic pay and productivity rates agreed last year by Mobil immediately became targets for drivers in other oil companies.

These companies may say, however, that, if the inflation rate declines, the influence of the Mobil settlement will be reduced.

The deal with the Transport and General Workers' Union covers more than 500 workers, more than half of whom are drivers.

The simple basic rate for a Grade I driver will rise from £105 to £116.55 per week in the settlement, which also involves a rise of 11 per cent in shift pay and allowances.

The drivers, however, already receive a basic productivity payment of £16 on top of this. The effective basic for top drivers, therefore, will rise from the present £121 to £132.55. Present earnings are about £150 per week.

The company stressed yesterday that the reduction in the working week would be done on the basis of "absorbing" all the resultant costs. This implies some form of productivity adjustment.

Airports claim drop in support

By Lisa Wood

THE LEVEL of support among air traffic controllers for the Civil Service dispute may be slightly decreasing according to the Civil Aviation Authority yesterday.

The CAA said that the effects of the dispute on Britain's airports had been "patchy and it was difficult to discern a trend but more people were probably now turning out to work."

Mr. Bill Woodruff, controller of the National Air Traffic Services, said that response at Heathrow, Glasgow and Sumburgh (Shetland Islands) airports had been high while that at Gatwick had not been as great.

Heathrow and Gatwick will again be the targets today for action by air traffic control staff, following action which hit airports in Scotland yesterday morning and Manchester later.

He claimed that because traffic had been kept flowing the unions in their frustration had played up the safety angle, such as the near mid-air miss near Southampton. Mr. Woodruff said: "We are being very cautious and in fact are increasin gour normal levels of safety."

Mr. John Lockwood, group director of personnel, rejected all speculation that the CAA was prepared to pay staff more than a 7 per cent increase

Thatcher stresses cash limits

BY IVOR OWEN

THE Prime Minister said yesterday the Government's offer of negotiations on Civil Service pay without pre-determined cash limits did not alter the fact that the Government would still have to reconcile any award with the ability to pay.

The offer was part of a package put forward by Lord Soames, the Lord President of the Council, together with the prospect of an outside inquiry into future pay determination in the service. But Lord Soames refused to improve the 7 per cent on offer for this year.

Mrs. Thatcher also told the Commons at Question Time that the cost of Civil Service pay would also have to be reconciled with the overall limits on public expenditure set by the Chancellor.

Some Tory banckbenchers yesterday expressed disquiet at the latest package and urged Mrs. Thatcher to review tthe commitment given by Lord Soames.

Mr. Terence Higgins (C., Worthing) warned there were "grave dangers" in the proposals because of the repercussions they would have in other areas of the public sector.

Mr. William Hamilton (Lab., Central Fife) accused the Government of an "indefensible contradiction" by declaring in one breath that is could not afford to pay the civil servants more than 7 per cent this year and in the next breath approving an 11 per cent increase for the armed forces.

The Prime Minister refused to confirm the amount awarded to the armed forces which will be officially announced today.

The report of the review bodies on MPs, doctors' and dentists' and top salaried people's pay will also be published today.

Union seeks national meeting with Ford

BY NICK GARNETT, LABOUR STAFF

A NATIONAL meeting between company and unions to discuss growing industrial relations and production difficulties at Ford will be requested today by Mr. Ron Todd, Transport and General Workers' Union national secretary and senior Ford union negotiator.

Mr. Todd told the company yesterday that a national meeting was necessary to discuss the dispute at Merseyside's Halewood plant and the issue of improving shopfloor discipline which has caused the Halewood strike.

The company confirmed yesterday that production of all cars and vans would effectively be halted from tonight because of the dispute and its effect on component supplies to other Ford plants.

This will involve about 5-6,000 layoffs at Dagenham which produces the Cortina and Fiesta and about 3,000 layoffs at Southampton where the Transit van is made. Both plants receive gearboxes from Halewood which also supplies Dagenham with pressings.

Mr. Todd said yesterday that the company had indicated that it would consider a meeting with the unions if Halewood returned to normal working. Mr. Todd said the position did not warrant preconditions on talks.

"The company will be facing a real crisis by Monday," he said.

Some 10,000 workers are on indefinite strike at Halewood in an attempt to force the company into removing the disciplinary code introduced throughout Ford's UK operation in November. A further 2,000 workers in Halewood's transmission plant have been laid off.

The company brought in the code to try to stem an accelerating number of unofficial stoppages, particularly at Halewood after the new Escort lines were introduced there in the summer.

Shop stewards say the code results in far greater production losses — by necessitating layoffs of workers not directly involved in disputes—than the disputes themselves.

Investments rise forecast by Jenkins

By Our Labour Staff

MR. CLIVE JENKINS, general secretary of the Association of Scientific, Technical and Managerial Staffs, predicted yesterday that there would be a "dramatic change" in Government policy on investment in state projects before the next general election.

He said electrification of the railways, recommended as financially worthwhile in last February's joint British Rail and Department of Transport report on the proposal, was likely to be taken up because of the project's potential in helping to slow down the unemployment trend.

At next week's annual conference debate on economic policy, he would strongly urge the need for large-scale construction projects as offering one way out of the present difficulties faced by the Government.

He did not believe there would be a U-turn in Government policies but a dramatic change which could embrace the electrification of the railway and offer large-scale re-employment through spin-off projects affecting the steel industry, the manufacture of new rolling stock and in the power supply industry.

Mr. Jenkins wanted to see the Labour Party manifesto provide for "reconstruction of the whole industrial fabric of this country"

Public sector corporations, he suggested, could be the instrument for regenerating the economy.

Communist loses NUM area election

By John Lloyd,

MR. JACK COLLINS, Secretary of the Kent area of the National Union of Mineworkers, has been defeated in a contest for the area's seat on the union's executive committee.

Mr. Collins, a Communist, was beaten by Mr. Wes Chambers, a mineworker at the area's largest pit, Betteshanger.

However, the change will not mean any shift in the political complexion of the executive. Mr. Chambers, like Mr. Collins, is a Left-winger and will take his seat on a Right-dominated executive.

Farm workers seek 10% emergency increase

FINANCIAL TIMES REPORTER

A DEMAND for an emergency pay rise by the 250,000 farm workers in England and Wales to combat the "catastrophic" effects of the Budget was turned down by the Agricultural Wages Board in London yesterday.

Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, said the application had been rejected out of hand without any reasons other than that 12 months had not elapsed since the last pay award.

The claim, for at least 10 per cent on the £64-a-week basic wage, was submitted after the Budget, which hit rural workers particularly hard. The farm workers calculate that they are at least £5 a week worse off because of it.

The claim also followed the Common Market fixing of food prices in April, when Europe's 8m farmers were given an effective pay rise of about 10 per cent.

Agricultural workers had a 10.3 per cent increase on basic rates from the new year. This is already eroded by higher prices and rents, they say.

Union opposes 'military' plan for jobless

CIVIL SERVANTS will be urged to "sabotage" any scheme of military training if the Government decides that is one way of tackling the problem of unemployed youngsters. The annual conference of the 108,000 strong Society of Civil and Public Servants at Blackpool opposed such a scheme and said that members should as a last resort refuse to implement it.

Lord Gowrie, Employment Minister of State, said at the weekend that the Government was looking at ways to enable the Defence Ministry to recruit 1,000 young unemployed for six months' "training and service."

Sit-in workers face arrest

SIXTY-FOUR men face arrest today over a sit-in at a Glasgow factory. A judge granted the warrants yesterday and a court official later told the men they would be arrested this morning and taken to Edinburgh to appear in court.

Police would be present at the factory at Whiteinch in "sufficient strength," he said.

The occupation, over a demarcation dispute, has lasted a month. On April 16 Lord Brand granted an interim order to Bestobell Insulation, banning the workers from trespassing on the premises. On Tuesday he gave the men a "last chance" to appear before him

Probe into claim that media incited Belfast violence

BY MARGARET VAN HATTEM, LOBBY STAFF

THE GOVERNMENT has ordered a full inquiry into allegations that television crews incited street violence in Belfast last week led, in one instance, to the deaths of a milkman and his son.

Mr. Humphrey Atkins, Northern Ireland Secretary, said yesterday that investigations were already under way in relation to several reports of "this despicable kind of activity."

The case of the milkman, Mr. Eric Guiney, and his 14-year-old son Desmond, who died after their milk float was stoned soon after the death of the IRA hunger striker Mr. Bobby Sands, was raised by Mr. Gerry Fitt (Independent, West Belfast).

"Within seconds of the stones being thrown, a TV camera crew was there," Mr. Fitt said. "Many people believe that the crowd was agitated into throwing these stones for the benefit of foreign TV cameras." He called for a far-reaching inquiry to establish the identity of the crew.

Mr. Atkins, however, rejected suggestions that the security forces needed reinforcing with more men and more equipment—"they have proved well equal to keeping the situation under control," he said. The Northern Ireland Community had responded well to appeals for calm, he added, but he appealed to parents not to allow their children to take part in demonstrations.

Later, in Prime Minister's Question Time, Mrs. Thatcher again ruled out the possibility of political status for convicted terrorists. "They are murderers and people who use force and violence to obtain their ends," she said. "What they are asking for is political status by easy stages. They cannot have it."

The Government is coming under heavy pressure — both from within the UK and from outside—to demonstrate that it is prepared to be flexible by making concessions on the prisoners' demands to wear their own clothes and to associate freely. While there is no sign that this will be considered, Mr. Michael Allison, the junior minister for Northern Ireland, hinted that there might be room for manoeuvre by stressing that prisoners in Northern Ireland were in some ways different from those in the rest of the UK.

Benn attacks Healey for 'undermining Labour Party's credibility'

BY MARGARET VAN HATTEM, LOBBY STAFF

MR. TONY BENN last night defended his decision to contest the deputy leadership of the Labour Party—in defiance of Mr. Michael Foot the Party leader—with a strong attack on Mr. Denis Healey, the present deputy leader.

Mr. Healey's opposition to some aspects of official party policy was undermining the party's credibility, he said.

"If you are going to be credible you've got to have a leadership that supports party policy," he said in an interview on BBC television. "The present deputy leader makes no secret of the fact that he is totally opposed to key elements of party policy."

Defending his determination to proceed with the challenge in the face of considerable opposition from within the Left-wing of the party, Mr. Benn suggested indirectly that Mr. Foot should also be challenged for the leadership.

"You might as well say why have an election at the end of a Parliament, why have an election for anything?" he said. "I'm absolutely opposed to a single list. That really is the mechanism of Eastern Europe—to have single lists fixed in advance."

Mr. Benn insisted that his opposition to Mr. Healey was based on policy, not personality. The real issue facing the party was it credibility. "What people suspect, and what is true, is that successive Labour governments have been elected on particular programmes and then they haven't done it when they've got there. Not because they didn't have a majority but because the Cabinet didn't believe in the manifesto on which they were elected."

Mr. Benn singled out the 1974 Wilson Government of which he was a member, for particular attack. The former Prime Minister has simply reversed the policy by reshuffling his Cabinet and changing policy, he said.

However, he exempted himself from the general criticism, saying he was not directly responsible. "After all if you sit in a Cabinet you're going to find yourself in a minority a lot of the time. I think every Cabinet Minister has to make up his mind whether he's going to make every occasion when he is in a minority a resigning issue. I took the view, and I think absolutely rightly, that if you're in the Cabinet you argue it out and try to persuade people, but that you are there to try and implement the programme."

Mr. Benn acknowledged that he was widely distrusted by the Left-wing of the party because, when in government, he had not stood out for Left-wing causes such as the Campaign for Nuclear Disarmament or the 10-year Left-wing campaign led by Aneurin Bevan.

His views had changed over the years, he said. "But they're much more solid when you come to them by experience than when you start as a Left-wing student and end up in the House of Lords. I've done it the other way round."

Pressed on the question of democracy, Mr. Benn rejected the idea of another referendum on EEC membership. This, he said, would transfer power to the media which had an enormous power to manipulate public opinion; it would also destroy the responsibility of elected members of Parliament.

Left-led trade unions could thwart Benn's campaign for power

BY OUR LABOUR STAFF

MR. TONY BENN'S campaign for the deputy leadership of the Labour Party could be running into difficulties because of lack of support from Left-led trade unions.

It became clear yesterday that the biggest union, the Transport Workers, will wait until nominations for the post close in mid-August before asking their branches to register their choice. The strong implication is that the TGWU leadership is hoping that another Left candidate will declare himself.

The same reluctance to endorse Mr. Benn has been shown by the white-collar Association of Scientific Technical and Managerial Staffs, whose general secretary Mr. Clive Jenkins is expecting another runner to emerge very soon.

At the same time there was further evidence yesterday that the moderates' hopes of changing the electoral college formula to give Labour MPs at least 50 per cent are fast fading.

The TGWU, whose executive met yesterday to discuss the union's conference agenda, and the National Union of Mineworkers, whose executive met in Sheffield, now seem certain to support the system pushed through by the Left at the special party conference at Wembley in January, which gives 40 per cent of the votes to the trade unions and 30 per cent each to the PLP and the local parties.

The question of who ASTMS will back in the deputy leadership contest could be influenced by an executive decision today on whether to restrict any vote on the issue to members paying the political levy.

The union's annual conference in Blackpool next week is expecting to be confronted with one or more emergency motions on the deputy leadership issue although its executive view so far has been that the present leadership should continue until the next general election. Clive Jenkins has even led a personal campaign to persuade Mr. Benn to withdraw his candidature.

The decision on who should be allowed to vote, however, will be taken on technical and legal rather than political considerations.

The ASTMS is in the unusual position, as Britain's sixth biggest union, of having a comparatively low ratio of members who pay the political levy. Its membership is currently put at some 491,000 but it commands only 147,000 affiliated votes at the Labour Party conference.

The executive is expected to take the view that the whole conference should be allowed to vote on broad political issues such as who to back in any leadership contest. Since such a large proportion of its membership is not affiliated to the Labour Party, however, it wants to ensure that there is no risk of a strong Tory contingent among its ranks challenging any decision that is taken.

The National Union of Mineworkers is now virtually certain not to lend its 240,000-plus vote to help change the present electoral college system.

Mr. Joe Gormley, the Right-wing president of the NUM, admitted after sustained questioning yesterday that he would be likely to recommend to his executive that it endorse the mtion to its conference from the Derbyshire area calling for agreement to the status quo.

However, Mr. Gormley, during a meeting yesterday of the NUM executive, ruled out of order an amendment to this motion from the Yorkshire area which sought to commit the union to support for Mr. Benn as deputy leader.

Of the unions affiliated to the Labour Party only one—the white-collar union APEX—had declared itself unequivocally in favour of the electoral college system giving 50 per cent of the votes to MPs and 25 per cent eacvh to the trade unions and the local parties. The Amalgamated Union of Engineering Workers may be able to vote for this structure.

Lloyd's divestment issue questioned

BY JOHN MOORE

MR. MICHAEL MEACHER (Lab., Oldham W.), chairman of a committee studying Lloyd's Bill of Parliament for improving self regulation within its market, yesterday raised questions about whether Lloyd's insurance brokers should divest themselves of the right to manage underwriting syndicates.

"Is it right," he asked Mr. Peter Green, Lloyd's chairman, "that the matter should be left to a council," which is likely to be "dominated by the brokers? Is it really for Parliament to leave to them a decision which so clearly affects them?"

The proposal for full commercial divestment of broking and underwriting interests had been recommended in a report published last year prepared by Sir Henry Fisher into Lloyd's self regulation. The report has formed the basis of the legislation before Parliament.

Mr. Green said that he did not think the committee of Lloyd's had any power to insist that divestment should take place. He added that the relationship of Lloyd's brokers with underwriters was central to Lloyd's existence and should be debated by the new council, which will be created by the legislation.

"We accept that there should be separation" of broking and underwriting interests, he said, and explained that Lloyd's only disputed the means to which this could be achieved.

"I am going to leave no stone unturned to see that the new council deals with this matter expeditiously."

During cross-examination by Mr. Michael Mann, QC for two Lloyd's underwriting members who are seeking changes to the Bill, Mr. Green admitted that he had changed his mind about his original views on divestment saying that he no longer felt that full divestment may be necessary.

He told Mr. Meacher that his thinking had "not been changed by what the brokers had said. My thinking on the matter has broadened." He said he believed the whole agency system required detailed examination.

The Committee was adjourned until next Tuesday.

Peace pipe shunned over revenue-raiser

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MR. ROBERT SHELDON, a Labour Treasury spokesman, rose in the Finance Bill committee yesterday and innocently proposed an amendment to reduce the 14p increase in duty which the Government had slapped on 20 cigarettes in the Budget.

It was, in fact, a humble probing amendment to find out whether the increase was introduced as a revenue-raiser or if the Government seriously wanted to cut cigarette consumption in the interests of health.

But Mr. Sheldon's words had an alarming affect on the Labour MPs seated behind him who immediately split into two factions — smokers and non-smokers.

Mr. John Maxton (Lab., Cathcart) revealed that Mr. Jack Straw, one of Labour's Treasury team, had recently kicked the smoking habit. But, apparently Mr. Straw — who works in the same corridor as Mr. Maxton—now has all the smug self-satisfaction of the new convert. Every time he sees the unfortunate MP having a quick puff, he starts to lecture him about his bad habits.

Undeterred by these disclosures, Mr. Straw intervened to say that Mr. Maxton's "disgusting habit" meant that about 20 people working in the same corridor had to inhale his fumes. If the price of cigarettes was significantly increased that might help him to give up.

Mr. Maxton, however, seemed unimpressed. If we were going to use taxation for social purposes, why not extend it to other things? Perhaps there should be a tax on cream cakes to stop people becoming overweight and increasing their cholesterol level.

There was further agonising over this fine point as Mr. Frank Hooley (Lab., Heeley) pointed out that as far as he was concerned, it would have no effect if Mr. Maxton stuffed himself with cream cakes. But if he sat beside him when he was smoking he would be forced to inhale his smoke.

Not so, retorted Mr. Maxton, for seeing a person eating a cream cake could well tempt others to do likewise. It was left to Mr. Derek Foster (Lab., Bishop Auckland) to bring his colleagues to reality with a reminder of the effect increases in cigarette duty had on the electorate.

He recalled that the late Hugh Dalton, Chancellor in the post-war Labour Government, was still remembered in his constituency as "that bloke who put a bob on the price of cigarettes."

With this fascinating subject out of the way, the committee went on to debate a Labour amendment exempting chewing tobacco from duty.

Chewing tobacco? Surely the last politician to chew tobacco was Huey Long on the floor of the Louisiana Statehouse. But this has not prevented astute Treasury officials from increasing the duty on it.

National service rejected

BY MARGARET VAN HATTEM, LOBBY STAFF

THE GOVERNMENT appears to have rejected proposals for any form of compulsory national community service scheme in which school leavers would spend a year or so working on community projects.

The Prime Minister told the Commons yesterday that any element of compulsion in such a scheme would be deeply unpopular. But, she added, a voluntary scheme, possibly based on an expansion of existing youth employment programmes, would be very popular.

Earlier, Mr. James Prior, Employment Secretary, said attempts to make such a programme compulsory would "raise enormous problems."

Speaking on BBC Radio, he said senior Ministers were discussing several options to deal with the problem of unemployed school leavers.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Weaving a way into new markets

Charles Batchelor on the survival strategy of a major Dutch company in the besieged textiles industry

JOOP RAYMAKERS is much more cheerful than you would expect, considering the branch of business he is in.

As chairman of the Dutch textile group, Royal Nijverdal-Ten Cate, he has seen his industry decline more rapidly than in any other country in Europe. Ten Cate's workforce has been almost halved to around 3,900 over the past seven years and the company went deep into the red in 1980 after making only marginal profits in the two preceding years.

But these difficulties cloak the extent to which Ten Cate has been hard at work moving its traditional textile operations upmarket, and diversifying into specialised fabrics for customers as diverse as fire brigades and wind-surfers. The share of these activities in total turnover is growing rapidly, while their profits are already providing a counterweight to the losses in the traditional sectors.

"I've been too long in textiles to despair," says Raymakers, a quick precise man, who exudes enthusiasm for his seemingly thankless task.

"The position is difficult but it is not hopeless," he says. "In our favour are our strong financial position, certainly in comparison with the average in the textile industry, and the continuous restructuring we have been undertaking. We are cutting back in some sectors but developing those where there is potential for growth."

Ten Cate is the largest company in the cotton, rayon and linen sector in the Netherlands, with sales last year of Fl 458m ($200m).

The basis for the present group was laid in 1957, when two old-established textile companies,

Windsurfing, heavily promoted in Europe by Ten Cate, has become one of the most popular watersports

H. Ten Cate and Koninklijke Stoomweverij Te Nijverdal, sealed several years of close co-operation with a merger; a number of smaller Dutch textile companies were subsequently added.

"Since both partners were about the same size, made similar products and faced the same dilemma, they decided it was better to attack the new markets together," says Raymakers.

Both companies had been forced to develop bigger European markets when their major export customer, Indonesia, became independent from Dutch colonial rule in 1949. Indeed, while Indonesia had taken 60 per cent of the output of both companies—mainly for sarongs, it is that country which now, along with other bulk producers in the Far East, provides tough competition at the lower end of the market. At the top end, Ten Cate is squeezed by other companies in the EEC countries.

If the problems of the European textile industry are bad, the Netherlands manufacturers have suffered from a number of additional handicaps. Their labour costs are higher than those of any of their major European competitors, let alone the bulk producers in the Far East. If Ten Cate's 1980 wage bill of Fl 126m had been paid at West German or Belgian rates there would have been a saving of 10 per cent. This would have improved its profit and loss account substantially.

Apart from paying lower rates of interest, German companies also have the advantage of a larger home market, while Dutch textile manufacturers make more than 50 per cent of their sales abroad.

Raymakers agrees that the textile manufacturers have been less successful than the trading companies. "It is the traders who have made the profits. The wholesaling function has been shifted to the manufacturer, with both wholesaler and retailer refusing to carry stocks."

This has made much greater demands on the manufacturer and forced him to become far more responsive to changes in fashion. Ten Cate has responded by taking a leaf out of its competitors' book, buying-in raw cloth, contracting out the finishing work, and starting its own trading activities.

Ten Cate's reaction to the rise of foreign competition — from both the Far East and the EEC —has been to expand into other textile-related areas, and reduce traditional activities which are no longer profitable. The weaving division, which accounted for 64 per cent of turnover in 1975, has been reduced to 39 per cent.

Only a year ago it was still accounting for almost a half, but now loom capacity is being cut further.

The household textiles division still contributes 22 per cent of sales, but the technical division has tripled in relative size to 19 per cent, while other, mainly non-textile operations, have risen from 8 to 20 per cent.

The profit performance of the different divisions shows how important this shift has been. In 1980 weaving activities made an operating loss of Fl 15.2m. But profits of Fl 2.5m from household textiles, of Fl 4.4m from technical products and Fl 9.7m from other activities, produced an overall operating profit of Fl 1.4m.

This was sharply lower than the previous year's Fl 10.2m profit, but was the company's third successive year of operating in the black since the restructuring began in 1975.

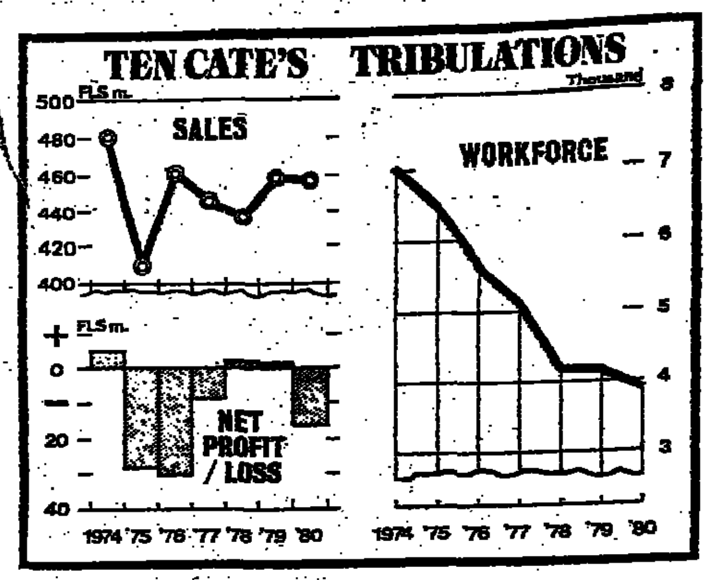
At the net level, Ten Cate made a loss of Fl 16.2m compared with the 1979 profit of Fl 2.3m. Apart from the worsened weaving performance, most of this decline was due to a restructuring provision of Fl 11m. While rationalisation will continue to depress profits in the first half of 1981, the company says the year as a whole is expected to show an improvement on 1980.

Part of Ten Cate's recovery strategy has been the upgrading of its existing activities: developing specialised finishes, and introducing better designs and a quicker response to fashion trends.

One example is the range of fire-resistant fabrics for use by fire brigades, racing drivers and workers in the chemical industry. A further refinement is fabrics containing metal fibres which "earth" the static electricity in the clothing of anyone working in explosive conditions.

It now also makes plastics for house insulation, artificial grass mats for sports fields, and matting to protect shorelines and river beds.

Ten Cate's move into sporting equipment has transformed lakes and sea shores throughout Europe and given a glamorous gloss to its rather staid image. Windsurfing took off in Europe largely due to the efforts of Ten



Joop Raymakers: "The position is difficult but it is not hopeless"

Cate and it is now one of the most popular watersports.

Although the company already made sail cloth and glass fibre fabrics, the management admits it was sceptical when Martin Spanjer, one of its executives, returned from California with half a dozen "Windsurfer" sail boards and a licence to market them in Europe. The initial response to the new import was poor but after a year or so, during which Spanjer demonstrated the "Windsurfer" sail boards and a the sport caught on. So Ten Cate began manufacturing.

The success with the "Windsurfer" prompted the company to set up a new subsidiary, Ten Cate Sports. It is still the major European manufacturer, but competition is growing, prompting it to diversify further. Last year it launched the Sunfish yacht, made under licence from an American manufacturer, and it has also set up Ten Cate Flexifoil to make and market the Skysail, a sophisticated kite, under licence from its British inventors.

Along with these changes in its business has gone a restructuring of Ten Cate's internal organisation. The staff at its headquarters at Almelo, in the Eastern Netherlands, has been cut by 180 to 120 over the past six years as individual operating companies have taken on more management tasks, including responsibility for their own sales. This decentralisation means that group management can see more easily where the profits or losses are being made.

At the same time, the management board has been reduced from seven to three members. Raymakers, now 57, has spent 33 years with the company, heading the management board for just over a year.

His views on state aid are trenchant. Though government money has been pumped into the textile industry to help it reorganise, the sums made available have been quite inadequate, he claims.

"The liberal trading policies of this country have been responsible to a great extent for our problems," he says. "Government support has been minimal compared with countries like Belgium." He hopes for further help once outside consultants have completed their review of the industry, probably next month.

Raymakers claims that the Dutch textile industry has a good record of adapting to changing conditions. The Nijverdal-Ten Cate marriage was the first major industrial merger in the Netherlands, and most textile companies have since been ready to enter production sharing agreements and make other ad hoc links, to an extent unthinkable in most industries.

But the shake-out at Ten Cate is not finished yet, and further reductions in the workforce are expected this year. Where will it end? The ultimate size of the company will be the size at which it is able to make a healthy level of profits, says Raymakers. Ten Cate foresees no growth in turnover in the near term and will be happy to maintain the present levels. Raymakers is making no ambitious forecasts but maintains that the basis has been laid for the company's long-term future.

Business courses

An Introduction to Software Quality Assurance. Glasgow. June 16-18. Fee: from £240 (plus VAT). Details from the Institute of Quality Assurance, 54, Princes Gate, Exhibition Road, London SW7 2PG.

Working and Living Abroad. London. June 7. Fee: £42 per person, £67 per couple. Details from The Short Course Unit, Polytechnic of Central London, 35, Marylebone Road, London NW1 5LS.

Job Evaluation. Uxbridge, Middlesex. June 3-5. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH.

Current Affairs Information—Resources and Needs. London. June 4. Fee: £50 (plus VAT) non-members, £40 (plus VAT) members of the Association of Special Library Information Bureau (Aslib), 3, Belgrave Square, London SW1X 8PL.

Making Word Processing Work. London. June 1-4. Fee: £430 (plus VAT). Details from Word Processing Seminars, Sir Isaac Pitman, 6 Southampton Place, London WC1A 2DQ.

Zero-Base Budgeting. Brussels. June 10-12. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

Buying Your Own Hotel? Pub? Restaurant?. Wembley, Middlesex. June 12. Fee: £30. Details from Small Business Services, London Region, Hotel and Catering Industry Training Board, PO Box 18, Ramsey House, Central Square, Wembley, Middlesex, HA9 7AP.

Loans to Company Directors & Officers. London. June 10. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, LE15 9PY

International Seminar on Corporate Planning, Geneva. June 15-26. Details from Centre d'Etudes Industrielles, 4 chemin de Conches, CH-1231 Conches-Geneva, Switzerland.

Redundancy and Energy—a positive approach to manpower reduction and reorganisation, Uxbridge, Middlesex. June 25-26. Fee: £185. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex, UB8 3PH.

Marketing Management, Slough, Berkshire. June 15-July 3. Fee: £750 (plus VAT). Details from Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berkshire, SL1 3PF.

Management abstracts

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £2.50 each (inc. VAT and P+p; cash with order) from Anbar P.O. Box 23, Wembley, HA9 8DJ.

Individual abstracting journals cover: Personnel and Training; Marketing and Distribution; Work Study and O and M; Top Management Issues; Accounting and Data Processing. A sixth title, covering Smaller Business Management, has just been added to the series.

"First-Aid" for the Smaller Business. M. Davis in The Accountant's Magazine (Scotland), Dec. 80: p. 489 + Jan. 81: p. 14 (4½ pages)

Summarises various forms of financial assistance, advice and information available to small business from governmental (or quasi-governmental) sources: gives advice on how to make contact and prepare a proposal for assistance.

Redundancy is Not the Only Answer. J. Barnard in Accountancy (UK), Feb. 81: p. 93 (2 pages)

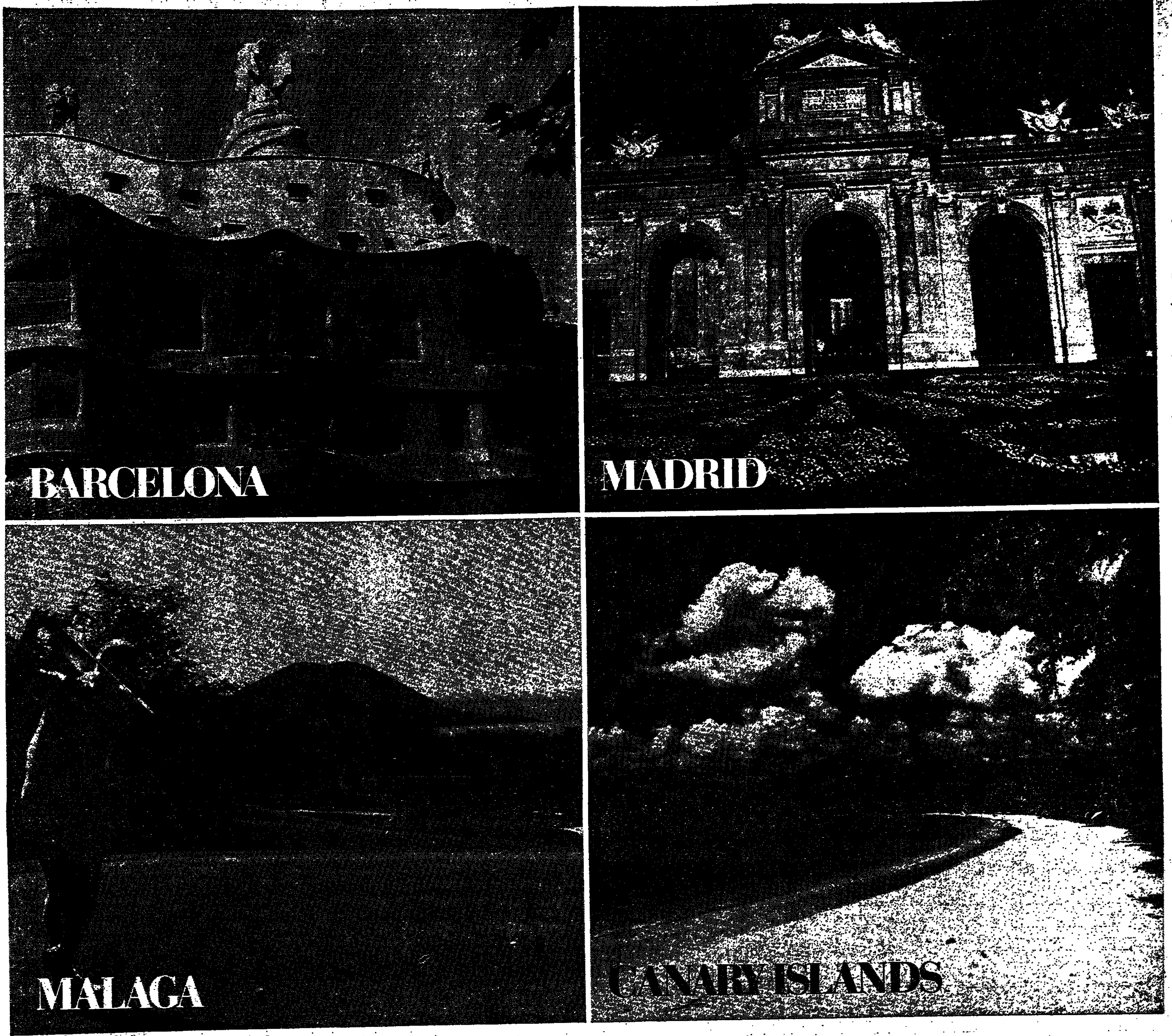
Argues that during a recession it is short-sighted to bear the cost of redundancy payments and lose specialist skills; looks at ways of redeploying surplus staff, either on in-company projects or by secondment to consultancies or "*recession-proof*" *businesses.*

Entrepreneurial Success or Failure. L. A. Litvak + C. J. Maule in Business Quarterly (Canada), Winter 80: p. 68 (11 pages, tables)

Takes a look at a number of unidentified technologically-oriented new ventures to determine factors that influenced initial entrepreneurship, to identify the survivors from failures, and to pinpoint the characteristics of each in an attempt to establish causes of failure.

Working with Visual Display Units. L. Church in Computer Management (UK), Jan. 81: p. 28 (3 pages, table)

Discusses ergonomic aspects of using VDUs examining eye-strain, backache and other medical conditions that can be caused by poorly-designed equipment, bad posture, and inadequate work organisation; concludes that, with some thought, most of these difficulties can be alleviated, and gives tips and a useful checklist.



Bus-stop Spain.

Big news.

This spring, Iberia is bringing the wide-body Airbus A300 B-4 into regular service.

For you it means more space to stretch your legs, superb seats to relax in and low cabin noise to reduce travel fatigue.

Iberia is flying the Airbus A300 B-4 not only around Europe but also on domestic flights, and that's big news too. Because Iberia has the largest airport network in Europe.

So next time you fly, remember the airline that has more bus-stops in Europe.

DESTINATIONS
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INTERNATIONAL AIRLINES OF SPAIN
Airbus A300

YOUNG & RUBICAM

LOMBARD

Hoping small is beautiful

BY JOHN ELLIOTT

"ALL GOVERNMENTS eventually launch propaganda exercises to bolster up policies which aren't working. They persuade themselves that the problem is not that their policies are at fault, but that the electorate doesn't understand them properly."

So said a Whitehall veteran as nearly 200 people trooped out of a party thrown in Downing Street last week by the Chancellor of the Exchequer to launch the Government's "Business Opportunities Programme."

There was something of the aura of a trade fair in the Chief Whip's usually elegant office where the party was held adjacent to the Chancellor's No. 11 Downing Street residence. Brightly painted chrome display stands lined the walls, advertising the Government's small firms' services and obscuring the pictures and mementoes of previous administrations.

Marketing

Harsh television lights added to the marketing scene, enabling the Prime Minister to be filmed for ITV news a couple of hours later. And as guests left, they seemed to forget where they were and dropped monetary offerings into an ashtray on the cloakroom attendants' table. (No-one dared ask audibly whether the money was to bolster the public sector borrowing requirement or the civil servants' strike fund.

More seriously, the event was significant for two reasons. First it illustrated how desperately worried ministers have become about their failure to generate an entrepreneurial revival. They now hope that their propaganda campaign, launched as the recession is showing some signs of easing, will help vindicate the entrepreneurial faith on which Sir Keith Joseph and others based their general election manifesto.

Secondly it marked yet again how much the Government's attitudes to industrial policies have changed. When a similar small firms publicity package was first mooted a few months after the general election, it was hastily shelved because it was out of keeping with the Government's initial policy of staying clear of industrial affairs.

Now desperation has led to the £500,000 campaign which is aimed at revitalising the small business sector by making people aware of the many concessions that have been introduced in the past few years. Taxation improvements, company and employment law changes, and other innovations are to be publicised in a series of speeches, conferences and other events—even though recent tax improvements are being criticised as inadequate.

A cynic will quite rightly say that no propaganda campaign can hope to encourage enough business start-ups and expansions to fill the yawning industrial and employment chasms left by those forced out of business during the recession.

Politicians have extolled the virtues of large companies being pushed by recent economic forces into leaner, fitter and more internationally competitive operations. They have usually ignored the plight of many small and medium sized businesses which, unable to trim back sufficiently, have died and will not quickly be replaced.

Closures

Not only have Ministers appeared to ignore the importance of such closures, they also overstate the potential of the small businessman and inventor. They talk as if such people can quickly revive Britain's flagging industrial base and employ the workers shed by large companies. They forget that, while a company can be shut down overnight, its replacement can take years to build. They also forget that small businesses' labour forces only grow slowly. Companies that grow fast are likely to be the most technologically advanced, with the smallest labour forces.

By overstating the potential importance of small enterprises they could be sowing the seeds of a public opinion backlash which would undermine the good that has been done in building up the confidence of small businessmen.

A swansong for the ferryman

BY ANTHONY MORETON

AROUND BRITAIN

HULL

CAPTAIN CHARLES KING stands on the bridge of the Farringford and brings the ferry expertly to the quayside, its bow facing the fast-running tide. As she ties up he puts his gold-braided cap on and goes down below for a well-earned break, leaving the helmsman on the bridge.

Capt. King has not arrived from foreign parts. He has just brought the Farringford over from New Holland on the south bank of the Humber and tied up at the Corporation Pier, Hull. After his break there will be another couple of crossings before his shift ends.

It might not sound very romantic taking a ferry across the Humber 10 times every day (except Sunday, when one crossing is dropped), and perhaps it does not compare too well with the North Sea Ferries' boat which can be seen a mile or two down river waiting for the tide to take it to Rotterdam or Zeebrugge, but Charlie King, as he is known to his mates, has more than a touch of history on his side.

The Humber ferry service began in 1832 with the Magna Carta, and the Farringford is one of only two paddle steamers still working in British waters.

Two, at the moment, but not for much longer. Soon, there will be only one. When the Humber bridge, the giant £88m suspension bridge linking the north and south banks of Humberside, opens to traffic in a couple of weeks, the Farringford will be phased out. The only paddle steamer left will then be the Waverley, working the Clyde.

So every time Capt. King ties up he is one crossing nearer being out of work, and the Farringford one crossing nearer that last mooring place or wherever old ships go to die. One of her sister ships, the Lincoln Castle, has recently been opened as a restaurant under the lee of the bridge and the other, the Tattersall Castle, rests on the Thames in London as a floating art gallery.

Capt. King sees no romance about the paddle steamers, now diesel driven but until a few years ago coal powered. "I don't have any particular sentiment over the loss of the ferry services. They are just a box to get cars from one side to the other.

"Ships just aren't what they used to be. It is a shame, but it is all a matter of economics."

If he is sanguine about the end of the ferry he positively glows about the phasing out of coal power. "The coal-fired paddlers were incredibly dirty and not at all romantic. Coal came down to the dockside in tubs and we had to tip them into a hole in the deck. There was dust everywhere.

"And it was no fun working on them. They were awkward in bad weather because the two paddles were fixed on the same shaft and difficult to manage. On this boat you can operate the paddles independently, which is a big help when there is a difficult tide."

He admits the job is repetitive. "It's only a 25-minute crossing and only just over a mile wide. You might almost be a bus driver. But don't get the idea it is easy.

"The wind can blow strongly, the tide is fast—it can run at between five and six knots—and there are times when we have just six inches of water under the paddles. Take the wrong decision on the state of the tide and you can get stuck on the mudbank for three hours.

"The passengers don't like it, understandably. They have appointments, meetings. They don't want to be sitting in the middle of the river till the tide floats her off again.

"With such a fast tide you have to keep power all the time. You just cannot stop like a car because the tide will sweep you where it wishes.

"With a shallow draught like we have, the ship is all superstructure and the wind acts on it like a sailing vessel. Wind creates a lot of our problems. It rarely stops us crossing but we have to be very careful of it."

It is now 16 years since Capt. King stepped off Corporation Pier onto the ferry for the first time. He is 55, a short, barrel-chested man who came to Hull because his ship docked there and he met and married a local girl.

By birth he is a Londoner—"from Finchley, Mrs. Thatcher land, you know"—but he would never go back there.

He was called up into the Merchant Navy in 1944.

He spent getting on for 20 years at sea, studying for his tickets, working his way up to the four gold rings that denote his rank.

The ferry is run by Sealink and it has offered him a job on the Isle of Wight ferries. "I've no ties to keep me here. But it will be very difficult to get somewhere to live down there.

"The bridge means that a lot of us will not get another job, or not easily anyway. We always knew the bridge would mean the end of the ferry and that there would be problems. It's just that at this particular moment the bridge could not have opened at a worst time economically.

"You have to be very lucky to get another job in Hull right now. Anyway, I don't want to go back to sea. I have had my time there. It was a great life. But the fire and the slippers are a greater draw now."

If Charlie King were the star of some million-dollar movie, he would pull up the gangplank after his last voyage, set his cap at a jaunty angle, and, like Shane in another context, head into the sunset over downtown Hull.

But he's not. He's heading downtown all right, but it's to the dole queue. Occupation: ship's master. Unemployed. Another statistic.

Roger Taylor

Captain King, on the bridge of the Farringford.

Fabulous Salt worth another try

RACING

BY DOMINIC WIGAN

FABULOUS SALT, who ran so disappointly when comfortably held by Humming and Rollrights in a substandard race for the Playboy Pretty Polly Stakes, bids to re-establish her reputation in today's Sir Charles Clore Memorial Stakes at Newbury.

If the Michael Stoute filly is to take her chance in the Oaks, for which she is a 16 to 1 chance, she must win with authority.

A particularly goodlooking Le Fabuleux filly, Fabulous Salt went to the Rowley Mile course with a formidable home reputation which had been strengthened by an eye-catching initial effort at Kempton.

There, despite handicapping herself through running green in the early stages of the Masaka Stakes, Fabulous Salt, a $95,000 yearly purchase, proved too good for some useful fillies, including Wilderness.

Although there appeared to be no excuses on her home course, Fabulous Salt, still highly rated by her handler, is probably worth another chance, particularly in a race in which Walter Swinburn is likely to be able to adopt waiting tactics.

It was from behind that she won her race at Kempton, whereas Swinburn attempted forcing tactics in the Pretty Polly.

Of the remainder in a poorly contested Oaks trial for this race sponsored by the William Hill organisation, for which Sir Charles Clore did so much, I have most regard for Nasseem. A smart juvenile, whose best performance probably came when she got the better of Doobie Do in the Cherry Hinton Stakes, Nasseem is expected to strip as fit as any, despite the lack of a previous outing.

Unless her exertions in the Tote Free Handicap and the 1,000 Guineas have taken the edge off her, What Heaven should prove capable of landing the Hue-Williams Stakes, while the still-leniently handicapped Portogon appeals as a sporting bet to lift the Kenneth Robertson Handicap.

NEWBURY

2.00—Saba Nejd*
2.30—Martial Arts
3.00—Fabulous Salt
3.30—What Heaven**
4.00—Pampalad
4.30—Portogon***

TV/Radio

†Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You And Me. 12.05 pm For Schools Colleges. 12.42 Regional News for England (except London). 12.45 News. 1.00 Pebble Mill At One. 1.45 Mr Benn. 2.02 For Schools, Colleges. 3.25 Trem. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Captain Caveman and Secret Squirrel. 4.30 Jigsaw. 4.55 Newsround Extra. 5.10 Rentaghost. 5.35 The Amazing Adventures of Morph.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 A Question of Sport.
7.30 Des O'Connor Tonight.
8.20 The Nightmare Man.
8.50 Points of View.
9.00 News.
9.25 Knots Landing.
10.15 Public School (London and South East only).
10.45 News Headlines.
†10.50 The Late Film: "One, Two, Three," starring James Cagney.

All Regions as BBC 1 except as follows:

Cymru/Wales—1.45-2.00 pm O Dan Y Mor. 5.10 Gari Gylifer. 5.35-5.40 Plant Y Gofod. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.25 Trem: Dirgelwych Gwern Y Mawn. 7.50-8.20 Terry and June. 10.15 Music Makers (Alun Hoddinott). 11.00 News for Wales. 11.01-12.31 am The Late Film: "Death of a Gunfighter," starring Richard Widmark.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.15 The Beechgrove Garden Special. 10.45-10.50 News for Scotland, National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Spotlight. 11.15 Northern Ireland News and Sport. †11.17 The Late Film: "One, Two, Three." 1.00 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich)—Weekend; Midlands (Birmingham) — Weekly Echo; North (Leeds)—Success Story; North East (Newcastle)—Comeback; North West (Manchester)—Home Ground; South (Southampton)—Report South; South West (Plymouth)—The Chase; West (Bristol)—Talisman.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.15 pm Racing from Newbury.
4.50 Open University.
6.55 Junior Pot Black.
7.40 Mid-Evening News.
7.50 Impressions.
8.00 Gardeners' World.
8.25 The North Sea Bubble.
9.00 Call My Bluff.
9.30 Playhouse.
10.45 Newsnight.
11.30 A World of Jazz.
†11.55 The Outer Limits.

LONDON

9.30 am Schools Programmes. 12.00 The Magic Ball. 12.10 pm Once Upon A Time. 12.30 Super Savers. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Take The High Road. 2.00 After Noon Plus. 2.45 Friday Matinee: "The Smallest Show On Earth," starring Peter Sellers. 4.15 Aubrey. 4.20 The Adventures of Black Beauty. 4.45 Get It Together. 5.15 Clapperboard.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 Sale of the Century.
7.30 The Incredible Hulk.
8.30 The Other 'Arf.
9.00 The Professionals.
10.00 News.
10.30 Police 5.
10.40 The London Programme investigates juggernauts in London.
11.15 The Friday Thriller: "Yellow Dog."
12.55 am Close: Personal Choice with Enoch Powell.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia Late News. 2.00 Houseparty. †2.25 Friday Film Matinee: "Street Corner," starring Peggy Cummins and Terence Morgan. 6.00 About Anglia. 7.30 Vegas. 10.30 WKRP. 11.00 Members Only. 11.30 Friday La e Film: "Powderkeg," starring Rod Taylor. 1.10 am Your Choice.

ATV

1.20 pm ATV News. 2.45 The Royal Windsor Horse Show. 3.45 In Search Of . . . Michael Rockefeller. 6.00 ATV Today. 7.30 Vegas. 10.30 ATV News. 10.35 The Gunfighters: "The Last Ride of the Dalton Gang."

BORDER

1.20 pm Border News. 2.45 Friday Matinee: "Emily, Emily." 6.00 Lookaround Friday. 6.30 Emmerdale Farm. 7.30 Vegas. 10.30 Your MP. 11.00 Soap. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.45 The Friday Matinee: "Tell Me My Name." 6.00 Channel Report. 6.30 What's On Where. †6.35 Laurel and Hardy. 7.30 Vegas. 10.28 Channel Late News. 10.36 Lou Grant. 11.30 Superstar Profile. 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. †2.45 Friday Matinee: "The Man Upstairs," starring Richard Attenborough. 6.00 North Tonight. 6.30 Top Club. 7.30 Vegas. 10.30 Police Story. 12.15 am North Headlines, Road Report.

GRANADA

1.20 pm Granada Reports. †2.45 Friday Matinee: Burgess Meredith and Dulcie Gray in "Mine Own Executioner." 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.30 Vegas. 10.30 A Week on Friday. 11.00 Soap. 11.30 After All That, This. 11.40 For Adults Only: Rod Steiger in "The Illustrated Man."

HTV

1.20 pm HTV News. 2.00 Houseparty †2.25 Friday Matinee: "Crest Of The Wave," starring Gene Kelly. 6.00 Report West. 6.30 Welcome Back Kotter. 7.30 Vegas. 10.28 HTV News. 10.35 The Ladies' British Singles Darts Championship. 11.05 Soap. 11.35 Danger UXB.

HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 4.15-4.45 Saer Yr Argae. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.05 Outlook.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 1.30 In Loving Memory. 2.45 Friday Matinee: "The Family Kovack." 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 7.30 BJ and The Bear. 10.30 Ways and Means. 11.00 Late Call. 11.05 Movies Through Midnight: "Deliver Us From Evil," starring George Kennedy and Bradford Dillman.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. †2.25 "The Good Die Young," starring Laurence Harvey. 5.15 Mr and Mrs. 6.00 Day By Day. 6.00 Scene South East (South East area only). 6.30 Emmerdale Farm. 7.30 Charlie's Angels. 10.35 The Barry Westwood Talkabout. 11.20 Soap. 11.50 The Late, Late Premiere: "All Is Love."

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. †2.45 Friday Matinee: "His Lordship," starring George Arliss. 5.15 Emmerdale Farm. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 7.30 Vegas. 10.30 North East News. 10.32 Friday Live. 12.00 Welcome Back Kotter. 12.30 am Countryside Christian.

ULSTER

1.20 pm Lunchtime. 2.25 Friday Matinee: "Emily, Emily." 4.13 Ulster News. 6.00 Good Evening Ulster. 6.35 Ulster Decides. 7.30 Vegas. 10.29 Ulster Weather. 10.30 Witness. 10.35 Sportscast. 11.05 Struck By Lightning. 11.35 Bedtime.

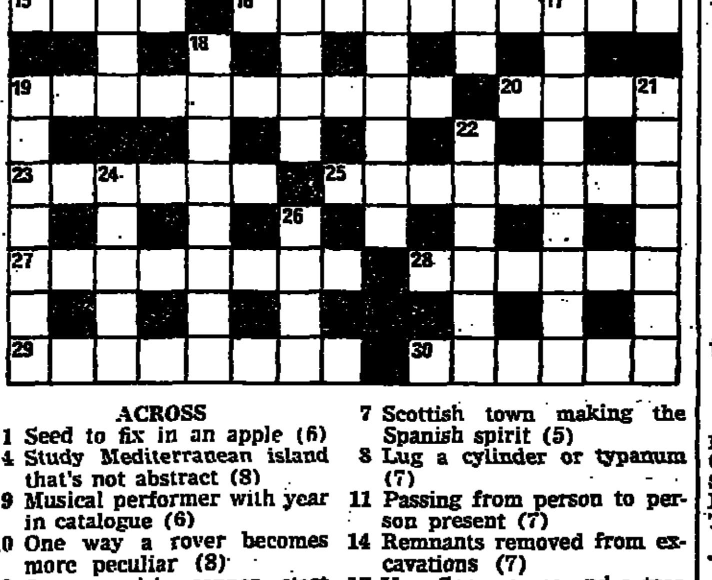
WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 The Friday Matinee: "Tell Me My Name." 6.00 Westward Diary. 7.30 Vegas. 10.32 Westward Late News. 10.36 Lou Grant. 11.30 Superstar Profile. 12.00 Faith For Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. †2.45 Friday Film Matinee: "The Man Upstairs," starring Richard Attenborough. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Emmerdale Farm. 7.30 Hawaii Five-O. 10.30 Benson. 11.00 Floodlit Crown Green Bowling. 11.30 Lou Grant.

F.T. CROSSWORD PUZZLE No. 4,569



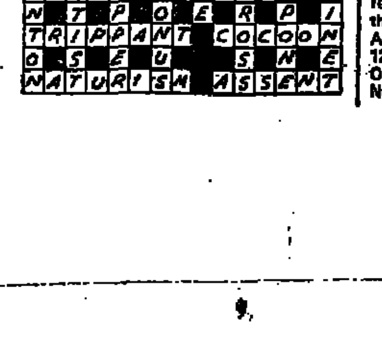
ACROSS

1 Seed to fix in an apple (6)
4 Study Mediterranean island that's not abstract (8)
9 Musical performer with year in catalogue (6)
10 One way a rover becomes more peculiar (8)
12 Saw peevish copper start turning (8)
13 Devise a direction that's level (6)
15 Tidy young animal (4)
16 Trade in conserve or a stoppage on the road . . . (7, 3)
19 . . . . and its possible cause may need a stopper (6-4)
20 Sharp airman I had to follow (4)
23 A person barely seen (6)
25 Fish straying about (5-3)
27 Animated ghost and editor (8)
28 Position adopted by golfers (6)
29 School football, but not in the field (4-4)
30 A slave in the pantry? (6)

DOWN

1 Mixed pile on tin for a bird (7)
2 Making holes in and through for a book (9)
3 Sits in incorrectly to persist in pressing (6)
5 Curse putting seed on gas (4)
6 Clergyman taking tea with nothing added (8)
7 Scottish town making the Spanish spirit (5)
8 Lug a cylinder or tympanum (7)
11 Passing from person to person present (7)
14 Remnants removed from excavations (7)
17 Yes; German car and a tree (9)
18 Embracing snake in adherence (8)
19 A cutter that orchestra understood (4-3)
21 Battery a prisoner desires (3-4)
22 Grab a fragment of verse (6)
24 Exercise making doctor sick (5)
26 Wave often seen on pools (4)

Solution to Puzzle No. 4,568



(S) Stereophonic broadcast
‡Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable with Mike Read. 7.30 Anne Nightingale. 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm The Ed Stewart Show (S). 4.00 David Hamilton (S). 6.00 David Symonds with Much More Music (S). 8.00 Barn Dance (S). 8.45 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.00 The Little and Large Party! 10.30 Fiesta. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Monteverdi (S). 10.00 Violin and Piano recital (S). 10.45 Stokowski conducting the New York Philharmonic. 11.20 American and Baroque Music (S). 12.10 pm City of Birmingham Symphony Orchestra Concert, part 1 (S). 1.00 News. 1.05 Concert, part 2 (S). 1.45 The Ages of Man (S). 2.30 Two Pianos (S). 3.20 The Baroque Tradition (S). 4.20 Lieder Recital (S). 4.56 News. 5.00 Mainly for Pleasure (S). 6.55 Play It Again (S). 7.00 Baroque Sonatas (S). 7.45 One Pair of Ears. 8.00 Concert from Newcastle, part 1 (S). 8.35 The Great Prayer. 8.55 Concert, part 2 (S). 10.15 The Quest of The Golden Girl. 10.40 Purcell (S). 11.00 News. 11.05-11.15 Music Fit For A King (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.35 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs (S). 9.45 Feedback. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Dartmoor: An Illusion of Wilderness? 11.50 Bird of the Week. 12.00 News. 12.02 pm You And Yours. 12.27 My Music (S). 12.55 Weather; Programme News. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.05 Down The Garden Path. 4.15 Drama Up To Now. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick Of The Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Glyn Worsnip with recordings from the BBC Sound Archives. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music On The Move. 6.33 This Week. 7.03 Black Londoners. 8.00 As Radio 1. 10.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 12.30 am Decision Makers. 1.00 am Night Extra. 4.00 London Rules. 4.30 City Week. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 Greg Edwards. 12.00 Midnight Special.

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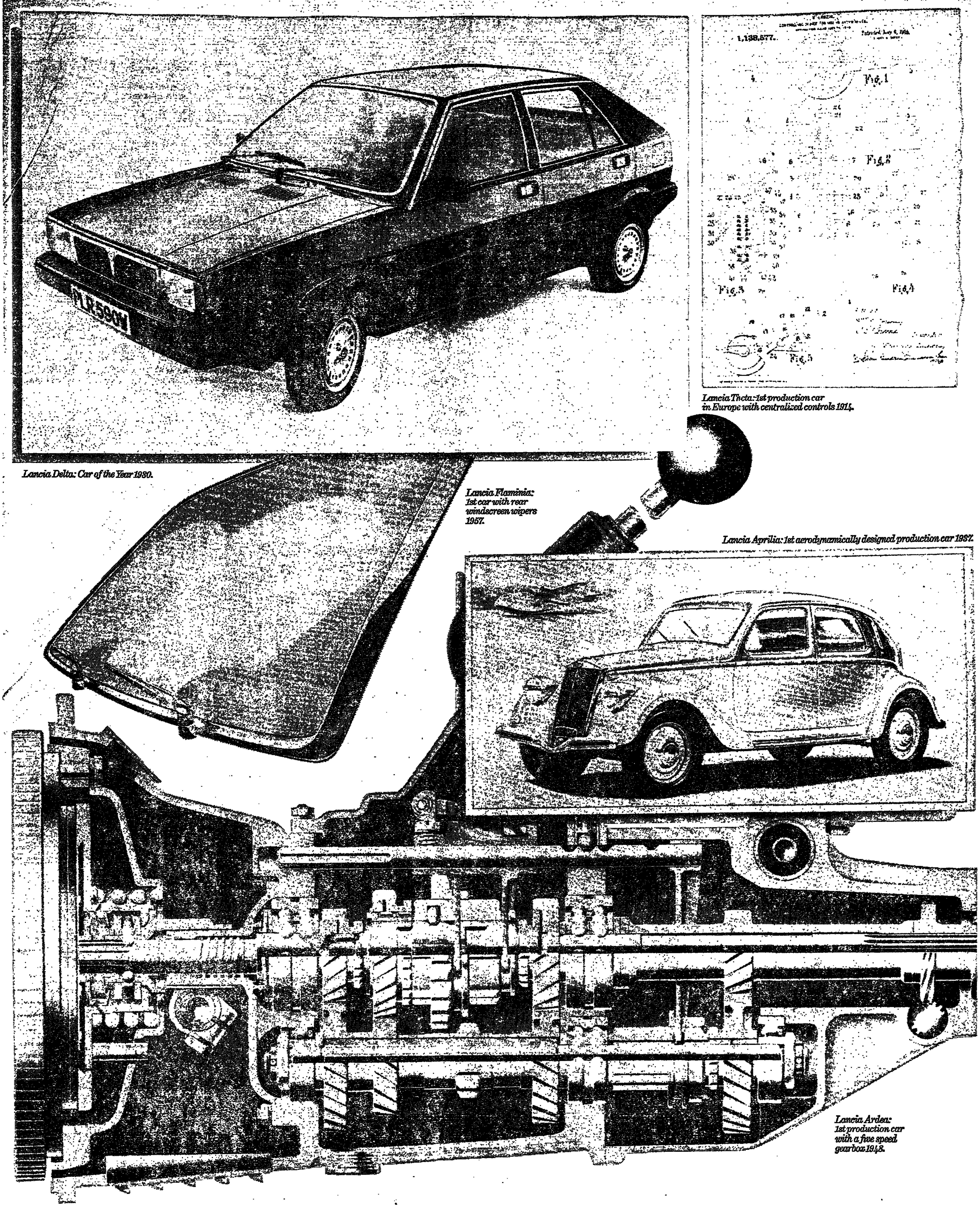


Lancia Theta: 1st production car in Europe with centralized controls 1914.

Lancia Delta: Car of the Year 1980.

Lancia Flaminia: 1st car with rear windscreen wipers 1957.

Lancia Aprilia: 1st aerodynamically designed production car 1937.

Lancia Ardea: 1st production car with a five speed gearbox 1948.

Vincenzo Lancia always liked being first.

As a racing driver, Vincenzo consistently produced times ahead of other cars.

As a manufacturer, he consistently produced cars ahead of their time. (Witness the ideas above.)

And although he died 44 years ago, his spirit did not.

Reviewing the very first Lancia built, the October 1907 edition of Autocar said "it impressed us most favourably, especially as regards the flexibility of the engine, being excellently designed and beautifully finished."

July 1980 and Autocar considers the latest Lancia above. "The abiding impression given by the Delta engine," it says, "is of a delightful smoothness coupled with eagerness."

You don't, however, pick up 70% of the votes in a Car of the Year contest with just an engine pulling for you. (Even if it is, according to our engineers, capable of reaching 100 mph in 5th gear.)

You must have, obviously, a smarter than average body design. (Luckily, Giugiaro's studio is only a bus ride from our Turin office.)

You have to provide an exceptionally high level of equipment (including an electronic safety-check system).

And you need a finish that reflects rust-proofing so hardy you can guarantee it. (Very few car makers offer a corrosion warranty as good as our 6-year one.)

It is not foolish to compare the Delta with the great medium-sized Lancias of the past.

As motoring journalist Bruce Smith mused after driving our car: "Classic cars are born of forethought and the Delta's marriage of Giugiaro design, new equipment and acclaimed systems is proof."

Vincenzo, we think, would particularly approve of the ingenious new way we've found of upholstering the seats.

We pinched the idea from the furniture industry. And no other car maker has anything like it.

Yet.

LANCIA DELTA 1500 FROM £4,995, ALLOY WHEELS OPTIONAL EXTRA. (PRICES & SPEC. AT TIME OF GOING TO PRESS INCLUDE CAR TAX, FRONT SEAT BELTS, 6 YEAR ANTI-CORROSION WARRANTY, 1 YEAR'S RAC MOTORING MEMBERSHIP & VAT BUT EXCLUDE NUMBER PLATES & DELIVERY CHARGES.) FOR BROCHURES, CONTACT C. SHELLY, LANCIA INFORMATION CENTRE, PO BOX 39, WINDSOR, BERKS. SL4 3BB

THE PROPERTY MARKET

BY ANDREW TAYLOR

Hogg Robinson for Goodmans Yard

THE LATEST piece in one of the most important central London development jigsaws slotted neatly into place this week with the news that Hogg Robinson, the international insurance brokers, is to occupy a new 293,000 sq ft office scheme to the east of the City.

The new £35m development at Goodmans Yard—which has already received planning permission—is the latest of a series of major office schemes in this part of London, involving Wingate Holdings, Wimpey Property Holdings and Lander Burfield, the chartered surveyors which assembled the Goodmans Yard site.

Under the terms of the latest deal Hogg Robinson has agreed to occupy the new office building—293,000 sq ft gross but 191,000 net—for an initial rent thought to be worth more than £3m a year. At the same time the insurance broker is selling its existing head offices in Crutched Friars, EC3, to Wimpey for £11.5m.

Work on the Goodmans Yard development has already started and is being carried out by Stellwood Investments jointly owned by Wingate Holdings, Wimpey and Norwich Union. The building on which Hogg Robinson has taken a 35 year lease—and intends to sub-let a substantial proportion of the office space—is due to be completed in 1983.

Lander Burfield during the past 13 years has been instrumental in assembling a series of major office development sites, comprising a total of 12½ acres in an area bounded by Whitechapel High Street, the Minories, Prescot Street and Leman Street.

The schemes put together by Lander include Latham House and Bain Dawes House in the Wingate Centre totalling 220,000 sq ft gross and developed by Wimpey Holdings; Gardiners Corner being developed by Wingate Holdings and Sedgwick Forbes, providing 372,000 sq ft gross (194,000 sq ft net) of office accommodation; plus several smaller schemes including a further 40,000 sq ft development planned by Stellwood on a site opposite the Goodmans Yard building to be occupied by Hogg Robinson.

Other schemes in the pipeline for this area include proposals for an office redevelopment at Camperdown House currently occupied by the English National Opera Company. Wingate Holdings—in which Wimpey also has a sizeable stake—owns the freehold of Camperdown House and a development here could provide a further 86,000 sq ft gross of office accommodation.

Hard-line approach at the GLC

"IN THE INTERESTS of the local community and Londoners as a whole, the Labour GLC will use its powers to resist the expansion of office development in areas which are already over-developed to prevent existing communities from being pushed out by speculative office building when homes, industrial jobs and recreation facilities are the development needed by those communities."

This policy statement, endorsed, this week by Mr. Ed Gouge, who takes over as chairman of the Greater London Council planning committee at the end of the month, clearly underlines the approach of the new Labour-controlled GLC to office development in the capital.

Mr. Gouge, speaking at his Ilford home this week, said: "We are not hostile to office employment, but it would be fair to say that in future the presumption is more likely to be against office development than in favour—particularly in the depressed inner London boroughs where there are acute unemployment and housing problems."

The first real test of the GLC's new hard-line approach to office development may come with the results later this year of a series of public inquiries into major office schemes proposed for the south bank of the Thames, including the controversial Coin Street development proposed by Greycoat Commercial Estates.

"The Labour group on the GLC is strongly opposed to these schemes on the grounds that the sites would be better used for local industry and to provide community facilities and housing which is desperately needed," says Mr. Gouge.

"If Mr. Michael Heseltine, Environment Secretary, rules that the office schemes as proposed should go ahead, then we at the GLC will have to look at other methods of trying to frustrate these developments."

At Coin Street the Labour group faces a particular problem in that the former Conservative controlled GLC has already agreed to sell its land holdings on the site to Greycoat Commercial. "Labour councillors will now be looking at ways of possibly unscrambling this deal and intend to oppose the Greycoat's scheme at the forthcoming public inquiry."

Mr. Gouge said that it was too early to say what steps the GLC might take to frustrate "undesirable office developments" but that Mr. Ken Livingstone, who now heads the ruling Labour group on the GLC, had already indicated that the council might try to defy central Government on certain issues—"Coin Street might be such an issue," said Mr. Gouge.

However, unless the GLC owns or controls at least part of the site on which a development is proposed, it is difficult to see how the council could seek to prevent a scheme which might be approved following a public inquiry. One method might be to use the transport committee to frustrate road plans vital to a development or to try to delay construction by appealing through the courts.

"We must make it clear, however that we are not spoiling for a fight. As far as the South Bank is concerned we hope that the public inquiries will support our view — but we have a clear mandate to carry out the policies set out in our election manifesto and that we intend to do.

"It may well be that this policy will be interpreted differently for various areas. The City, for example, has very different needs from a community like Bermondsey.

Mr. Gouge, a 33-year-old senior planning lecturer at Chelmer Institute of Higher Education in Chelmsford, Essex, will be an unfamiliar figure to many property developers. He has taken one of the top jobs on the GLC despite having had no previous experience as a councillor — he won the GLC seat for Ilford South at the first attempt with a majority of 1,500 in last week's local elections.

However Mr. Gouge—despite his lack of experience as a councillor—is familiar with planning politics. A former planning officer with the Conservative controlled Redbridge borough council—in the early 1970s, he represented the Labour Party in forcefully opposing the local plan for Ilford town centre at a public inquiry in 1979.

Mr. Gouge's opposition to the local plan, which calls for the provision of between 650,000 and 850,000 square feet of new office space in Ilford, provides a good guide to the current GLC Labour Party attitudes to London office development.

"Around half the working population in the town can be classed as potential office workers and clearly office development would provide some new jobs. Nevertheless we believe the priority in this area is for new community facilities—sorely lacking in Ilford—and for industrial jobs. Office development on the scale proposed in the local plan was far too excessive."

Mr. Gouge's views, however, will provide no satisfaction for London commercial property developers who quite rightly, question whether the GLC will be able to raise the funds necessary for its own ideas for the regeneration of inner London—given that the private sector has not in the past rushed to support this kind of approach. A return of a Labour Government pledged to capital investment in depressed areas however might alter this situation.

Meanwhile, if new office development in London is to be seriously restricted—as seems likely—then those property companies with existing large portfolios of central London offices could be well placed as shortages of good quality accommodation begin to emerge.

Advice for funds

THE POLITICAL message of the local elections has already been noted by the property industry. Institutions may have to concede more planning gains to local authorities if the funds' future position in commercial property development is not to be threatened.

Norman Bowie, a consultant to Jones Lang Wootton, speaking at JLW's 1981 Real Estate Conference this week stressed that: "... to preserve the security and growth of investment in one area it may be necessary to make an investment in another."

Mr. Bowie said: "the mere existence of large funds, enjoying a special status for the benefit of only part of the nation, has already attracted hostile and inquisitive comment."

Over the 21 year period 1957 to 1978, total sums invested in life funds had risen nine-fold, from £4.4bn to £38.4bn, while pension funds grew even faster from £2.1bn to £31.1bn. The growth in the funds' property holdings over the same period, Mr. Bowie added, had been tremendous—"life funds up nearly 20 times and pension funds up over 120 times."

"Up to now the funds have confined their activities to the higher quality end of the market. This policy is not only affecting whole areas and districts within towns but it has been extended to whole regions—so that 'North of Watford' has become almost a barrier."

Mr. Bowie posed the question whether this highly selective policy of property investment is a justifiable attitude for the funds to take. Funds aim for the best rewards, and it is logical for them to follow the movements of industry and people.

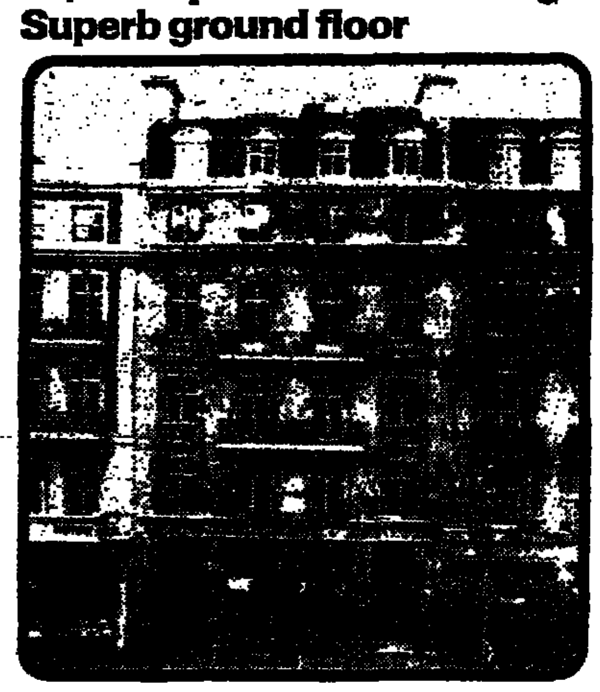
"But this policy," said Mr. Bowie, "has aggravated and accelerated the decay of the larger cities and conurbations with a growing severity of social deprivation. "The inner city problem is undoubtedly one of great complexity and one of the most important social problems of our times."

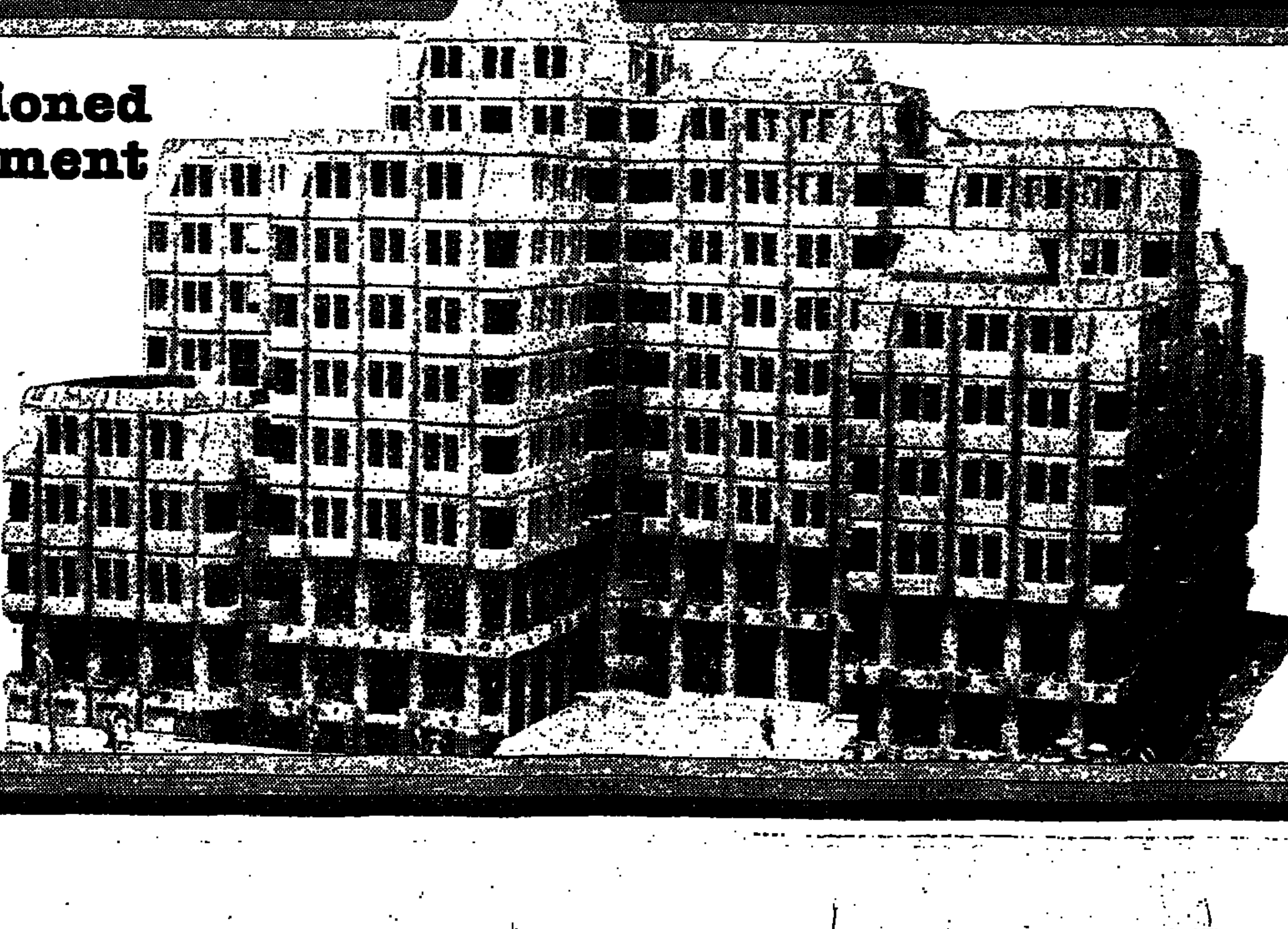
He points out that the North Americans came face to face with this problem somewhat earlier than the UK. "Under a special urban investment programme between 1967 and 1971 the U.S. life insurance industry committed $2bn to inner cities and central business districts."

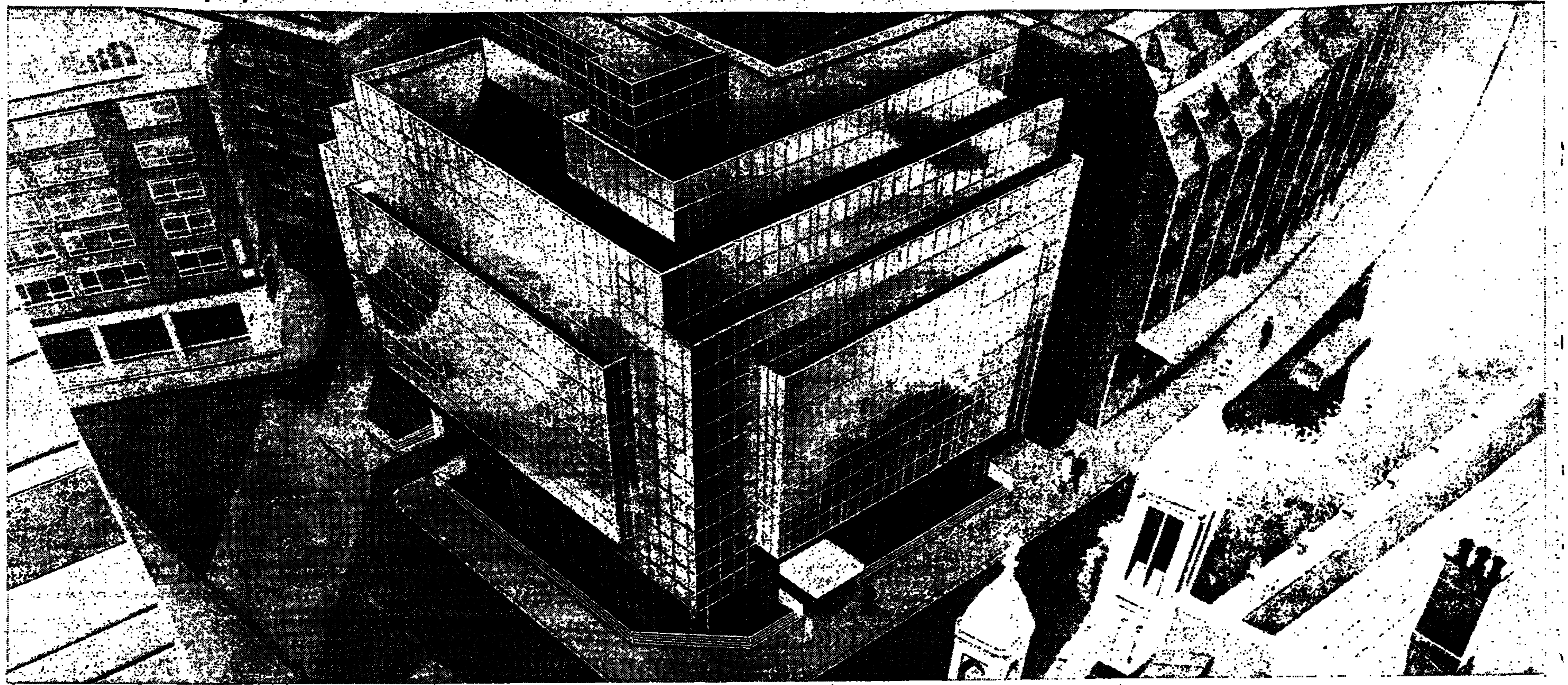
Some UK funds have already shown willing. Under the carrot and stick principle, more might follow. Mr. Bowie asked the TUC earlier this year for some views, these included:

- A suggestion that trust deeds be amended by collective bargaining to include a clause which instructs trustees to use monies in a certain way or forbids a particular type of investment.
- The TUC would also like to see the funds' policies *directed* to secure the long term advantage of their members in line with the aims of the trade union movement.

William Cochrane







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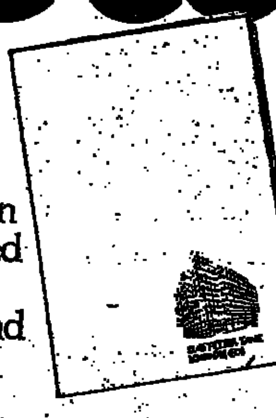

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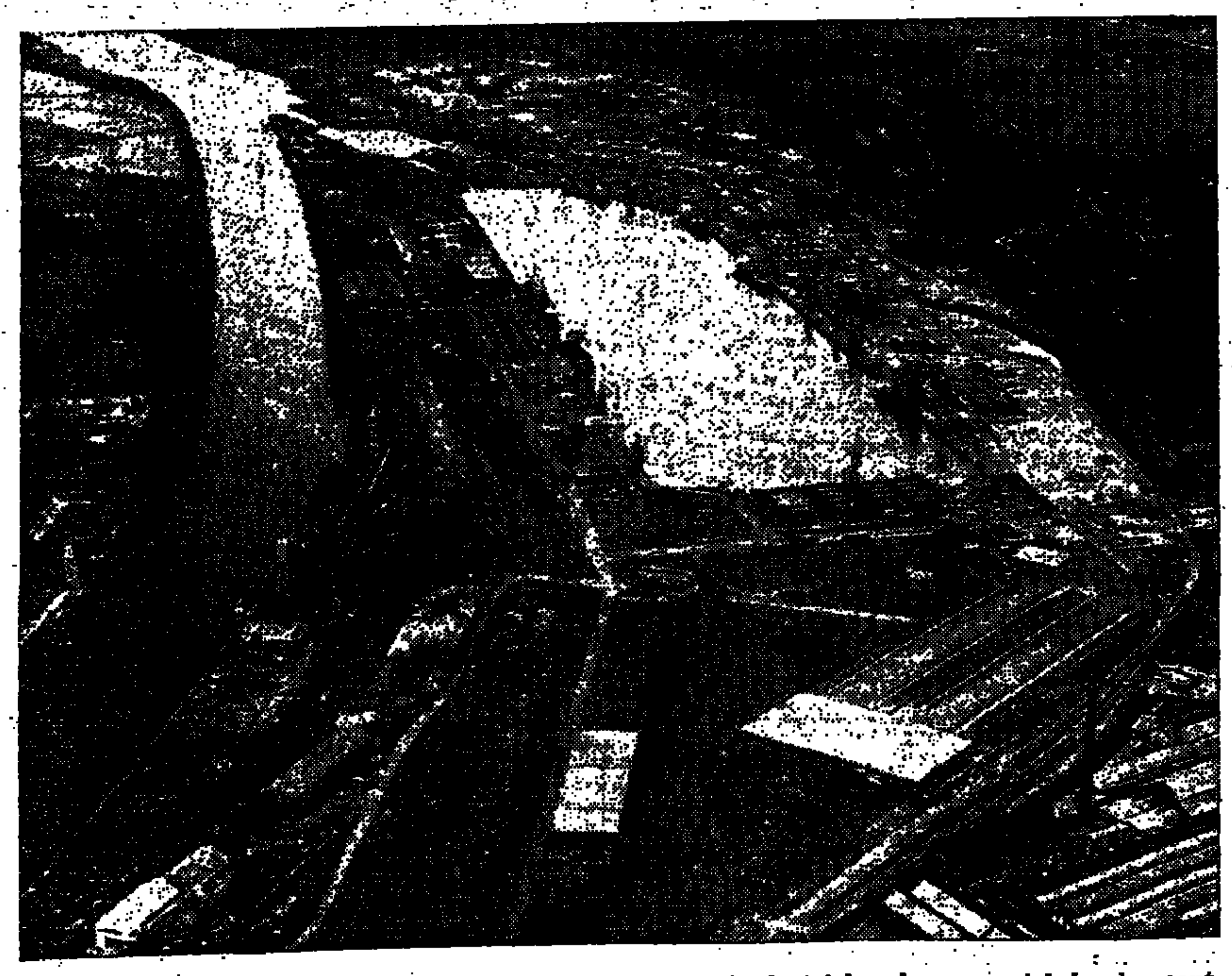

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It is anticipated that the Council will then invite a small number of interested consortia to submit schemes, based on the above uses; an appropriate development brief will be issued to those firms selected. Initial responses should be received by the Council no later than 10 a.m. on Monday, 22nd June, 1981.

If you require further information or wish to discuss the matter, please contact:

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Round House

Have you Anything to Declare?

by MICHAEL COVENEY

It is a measure of the confidence now running through the Royal Exchange Company of Manchester that, for the second production of their Round House season, French farce can flourish "in the round." The flat proscenium style is obviously more suited to frantic action and door-flapping. But Braham Murray's exuberant version of this very funny piece by Hennequin and Veber derives both tension and *comic lift from its use of* characters converging on the Dupont salon from different angles.

The Dupont daughter, newly married to the Vicomte Robert de Trevelin, has returned from *a fruitless honeymoon.* On the train, coitus was interrupted by a customs official bursting in with the titular question. The count is given three days by his wife's family to stand up and deliver; if he fails, a lachrymose ex-fiancé will be given a second chance. The count's psycho-sexual dilemma is further complicated by the ex-fiancé donning a customs officer's uniform and terrorising the couple like a ludicrous Jacobean stage ghost. One serious theme to emerge is this dependence on fantasy for sexual action; even in the grip of obvious lust, the couple adopt the roles of Red Riding Hood and the wolf. (No, I have *never* thought that about Snow White and the seven dwarfs. . . .)

The plot has the clockwork precision of vintage Feydeau. In the middle act, there is a glorious courtesan creation given the full works by Susan Littler as a blowzy amalgam of Beryl Reid and Joan Plowright. Zézé is the social instrument oiling the Parisian sexual machinery of all and sundry, *from Presidents of Justice to* itinerant bohemians. She is, in fact, married to an Arab camel-dealer (hilariously played by Derek Griffiths) whose odd appearance in the Dupont residence flares into a sequence of frantic trouser-dropping and gratefully received evidence for a divorce. Zézé poses as a painter, and each caller at the studio is dubbed with an appropriate soubriquet: "Rubens" and "Watteau" eventually confront each other as father and son-in-law. "She isn't a woman," somebody says. "She's the Louvre!"

The company is splendidly led by Brian Cox, bullish, driven and very fast as the count. It is the sort of performance you could have expected from Albert Finney ten years ago, only, I suspect, a lot better. Michelle Newell is the deliciously frustrated wife, Doug Fisher the jittery ex-fiancé. The last act is graced by an impeccable display by John Phillips as the judicial *father, slipping home disguised* as a gendarme after being dubbed the Vampire of Vincennes and proceeding, mischievously, to cover his own indiscretions by accusing his wife (Dilys Hamlett) of adultery. A sparky evening concludes with a resounding marital bang and three hollow cheers for institutionalised sex.

Cinema

Where there's a will

by NIGEL ANDREWS

Melvin and Howard (AA) Gate 1, Screen on Islington Green

Death Watch (AA) Paris Pullman

***The Howling* (X)** Classics Haymarket and Oxford Street.

Did young Melvin Dummar accidentally bump into old Howard Hughes out in the Nevada desert, one night round about Christmas 1967? Did he give Hughes a lift back to Las Vegas after finding the aged millionaire lying by the road, injured after a fall from his motorcycle? Did a grateful Hughes later remember *Dummar* in his will and bequeath him $150m.

Melvin and Howard dramatises the true-life story of a homely young midwestern bumpkin—sometime milkman, sometime *petrol-station* attendant—whose claim to have been named in a Howard Hughes will, "found" by Dummar, reached the courtrooms of the land amid *a* nationwide mixture of hilarity and awed curiosity. The will was finally adjudged a fake and Dummar, after a brief Haley's comet career as a national celebrity, swallowed his disappointment and returned to quasi-anonymity.

Director Jonathan Demme and writer Bo Goldman have homed in for their main story between Dummar's putative meeting with Hughes and the trial of the will a decade later. Jason Robard's prologue cameo of Hughes sets the film rolling, a cranky old varmint with a *grizzled beard who melts just* enough from acerbic misanthropy to join Dummar in a halting singalong as they drive through the Nevada night.

And then whoosh!, Hughes, the grand dream, disappears from the film except as an *eminence imaginaire* and a time-bomb for the future, and we look at the mini-dreams and humbler realities that stitch up Dummar's life. From one job to another he cheerfully shambles: from *one wife to another.* And then back to the first wife again, the pretty, aerated goofy Mary Steenburgen, who has a crack in her voice like Jean Arthur and shares husband Melvin's addiction to the instant-riches *chance-alchemy* of TV quiz-shows.

Paul Le Mat, who was the *burly-handsome* car-mad teenager in *American Graffiti* and its sequel, plays Dummar as a fidgety-footed hustler *who also* has an endearing dopiness and density. This Melvin Dummar, whatever the real one did, *couldn't* have forged the will. He may have found the skill to do so—by learning or borrowing it —but he couldn't have dreamed up the scheme. His fantasies are too short-fused and of-the-moment.

And that's the trouble with the movie: it doesn't create any thematic link between Melvin's own character and adventures and the dropped-from-heaven boon of the Hughes bequest. Take out the prologue and Robards's rasping deus-ex-motorcycle cameo, and all you have in *Melvin and Howard* is a rambling story about a souped-up village idiot who preserves a Candide-like innocence — or stupidity—while jobs, marriages and dreams-for-the-day keep collapsing all around him.

There's a far more interesting movie to be made about a well-camouflaged hoaxer in bumpkin's clothing who *does* forge a multi-millionaire's will. *Melvin and Howard is full of fresh-air* touches and folksy good-humour but finally it seems a pointless film: apotheosising a likeable nobody just because fate or coincidence briefly hooked his star to the waning constellation of a living, or dying, legend.

★

Big Brother is *televising you!* Anticipating the time when the optional extras of spare-parts surgery may include planting a video-camera behind your eyeballs, Bertrand Tavernier's *Death Watch* is as weird a *speculative dance across the* skyline of the future as one has lately seen. Place: a gaunt and crumbling city of the English-speaking North (Glasgow in fact but not by name). Time: a not too distant, medically miraculous future when all diseases are curable and no one need *die, violence permitting,* except of his/her own choice.

Harvey Keitel is a weather-beaten, unkempt reporter who has been hired by TV station chief Harry Dean Stanton to follow one such unreconstructed *traditionalist who has chosen* to die, Romy Schneider, and chronicle her last days. To the watching millions death, elusive and luridly alluring, has become the new pornography. For his purposes Keitel has had a TV camera planted in his cranium with which, unbeknown to Miss S whom he "casually" brushes up against and then befriends, he records her every movement, word, and valedictory sigh and *sententia.* And, since they 'ere *long hop into bed, her every* amorous gasp to boot.

When Miss Schneider flees the city to shrug off the attentions of the media and Press, and aims—across sodden moors and nights in doss-houses—in the general direction of her ex-*husband's bucolic retreat (he's* gnarled and lantern-jawed Max von Sydow, a philosophic recluse), she gladly and unsuspectingly takes Mr. Keitel along for the flight. Clattering along in their wake, like tins after a wedding limousine, is a *train of* clangorous and decidely portentous dramatic ironies that M. Tavernier has a devil of a time trying to orchestrate into a purposeful euphony. The film keeps hitting us over the head with the ironic justice of the fact that the corollary of Miss Schneider having *her* privacy invaded is that Keitel himself has no privacy. All that his eyes observe and his ears hear is transmitted straight back to *the TV station for scrutiny,* editing and then transmission to the gluttonous millions.

But what finally sinks a film freighted with ambitious ideas is not its cumbrous ironies but the holes in its plausibility. How to believe in this strange, dis-*embodied Scotland* of the future, where polyglot accents clash by night—Schneider's German, Von Sydow's Swedish, Keitel's American—and where stunning advances in medical science apparently live cheek-by-jowl *with Brechtian-romantic poverty* and Blitzkrieg-chic architecture? *Death Watch* is an example of the comprehensive melting-pot lunacies that can occur when the already-eclectic fantasies of Sci-Fi are compounded with *the haywire hybridisation of* co-production movie-making. Beware of falling non-sequiturs.

★

Meanwhile, horror. And at last, in the cinema of high gothic, some werewolves worthy of the name. Cinematic lycanthropy has long been disadvantaged by the inability to *elongate the human face.* Whiskery though Oliver Reed became at full moon and hirsutely though he howled, he *tended more to resemble the* neighbourhood tom-cat after a busy night on the tiles than the long-snouted animal we know as the *species lupus.*

The Howling puts all this right. This chunk of fitful but fiery *grand guignol* concerns a pretty blonde from New York (Dee Wallace) who takes up residence in a remote rural psychotherapy clinic only to find that it's a werewolf consortium in civvy disguise.

Patrick Macnee, chief psychiatrist, *does his best to calm her* early fears, but 'ere long the all-night baying and the tendency of her husband to be mauled senseless whenever he sets foot in the surrounding forest arouse her worst suspicions. Will her friends from New York, alerted of the crescent horror, arrive in time with the silver bullets and the *bandages?*

Never mind the plot and the dialogue, feel the special effects. Cornered by a werewolf-on-the-turn in a darkling office, Miss Wallace and we get the full works. The skin of the face palpitates, the cheeks grow furry, the teeth grow long and sharp and, wonder of wonders, the nose and jaw push out like the prow of a ship into true prognathism. All this to the accompaniment of rending howls and frequent cutaway glances at Miss Wallace's face, whose look of appalled and rooted wonder exactly mirrors our own. *Floreat lupus cinematicus.*

Mary Steenburgen in Melvin and Howard

St. George's Hanover Square

London Handel Festival

by ANTHONY HICKS

The London Handel Festival, now in its fourth year, is held each spring at St. George's Hanover Square, the church where Handel himself regularly worshipped. Denys Darlow, musical director and organist at the church, also directs the festival. As well as evenings devoted to major Handel choral works, there are chamber and orchestral concerts in which the music of a second composer is featured. (Telemann plays the supporting role this year, *the tercentenary of his birth).* Earlier festivals usefully included some Handel rarities, but enjoyment was somewhat marred by unsettled performances and wholly unworthy programme documentation, and last year little outside the standard repertory was offered. The present festival happily restores enterprise with two infrequently heard oratorios and some use of period instruments, and backs it up with an excellent programme book containing helpful and well-informed notes by Watkins Shaw.

Theodora, which opened the festival, I regrettably had to miss; but on Monday I caught an aimiable Handel-Telemann programme from the Parley of Instruments. On Wednesday came a great rarity: Handel's last oratorio *The Triumph of Time and Truth,* which cannot have been given in London much this century, if at all, though there was a student performance at Oxford in 1975.

The piece has a curious history. It began life as *Il Trionfo del Tempo e del Disinganno,* an extended allegorical cantata for four solo singers on a text by Cardinal Benedetto Pamphili, one of Handel's earliest Italian patrons. In this form it was performed in Rome in 1707.

Thirty years later Handel revived it for one of his London oratorio seasons, retaining the Italian text, but adding much new music (including choruses) and subjecting what remained of the original setting to extensive revision. This version, entitled *Il Trionfo del Tempo e della Verita,* still awaits publication and revival, though it is the most interesting: the music is an engaging mix of poignancy and skittishnes.

The English version dates from 1757. Based primarily on the 1737 setting, it omits many items and substitutes a very odd selection of numbers from other works, often introduced quite gratuitously and without relation to the plot of the allegory, which is obscure enough anyway. The alto role of Time became a bass, with ungainly results in the more lightly scored airs. Whether Handel was directly responsible for this compilation, or whether he merely supervised its preparation by others is unclear: he had been blind for *four years and his assistants* were effectively in charge of his oratorio concerts. Five "new" airs were interpolated in 1758. These too, are suspect, as they are assembled from material written fifty years earlier, recomposed in a way hardly compatible with Handel's late oratorio style.

Thus the value of reviving the 1757 *Triumph,* apart from satisfying curiosity, lies in the chance to hear several pieces unlikely to be encountered in their original contexts — choruses from the mixed Italian-English version of *Acis and Galatea,* for example—and to gain some idea of what the 1737 version sounded like.

The Festival performance showed that even in its second-hand form the music is fully capable of giving delight. It was *the 1757 text,* without the 1758 additions, that was wisely followed, the only cuts being two hefty and irrelevant anthem choruses and an unpublished recital which should introduce "Come Live With Pleasure."

The London Handel Orchestra, a new period instrument group led by Roy Goodman, blended well with the youthful Tilford Bach Choir, giving the choruses both force and buoyancy, and payed with an assur*ance often lacking in conven*tional ensembles on these occasions. In the airs Mr. Darlow allowed the rhythmic pulse to slacken once or twice, but in general his interpretation was marked by a fine sense of *phrase and judicious tempos,* inspiring all the soloists to give of their best. Perhaps counter-tenor Charles Brett was over-parted in the mezzo role of Counsel, but Ian Partridge was smoothly persuasive as Pleasure and the lovely silvery tone of soprano Gillian Fisher was exactly right for Beauty. Her two airs in Part 3, one a regretful *farewell to earthly* pleasures, the other—with solo oboe—a prayer for the eternal joy of Heaven, achieved a rapt and unexpected intensity. At this level the London Handel Festival fully justifies itself as a valuable alternative voice in the movement to bring Handel's lesser known works back into public view. There is a further concert tonight and *Messiah* on Saturday.

Festival Hall

Philharmonia

With the conductor Eugen Jochum indisposed, the Philharmonia concert on Wednesday involved some re-assignment, though the original programme was retained. Bach's 4th Brandenburg Concerto become the responsibility of the players themselves (with *concertante* flutes, not recorders), led by Christopher Warren-Green's solo violin. Fleet and mostly tidy, the performance lacked something of dramatic energy: the striking syncopations toward *the end of the Allegro* were slightly foxed.

Uri Segal, of the Bournemouth Symphony and the Philharmonica Hungarica, took over Beethoven's "Choral" Symphony. He offered a judicious, clean-lined reading—tempi well held, an excellent cutting edge in the fast music: the Trio of the Scherzo made a curiously mild effect, and Segal's graceful account of the Adagio assigned it a lower specific gravity than belongs to it.

The vocal forces on hand guaranteed a stirring conclusion. The Philharmonia Chorus made a perfectly focused sound, full and resplendent. Kurt Moll, the Royal Opera's noble Gurnemanz, ushered the voices in with grand *authority, and* the other soloists — Linda Esther Gray, Alfreda Hodgson and Werner Hollweg—took up the song full-throatedly.

DAVID MURRAY

Elizabeth Hall

German Romanticism

In a pause from their *more* usual trail-breaking activities, the London Sinfonietta offered an evening of *relaxation,* nostalgia and reduced forces (principals and seconds only) with a *short programme* on Wednesday dedicated to "a view of German Romanticism."

Wagner's *Siegfried Idyll* and Schoenberg's *Verklärte Nacht,* each in its original chamber scoring, were the two party-pieces which *framed the* evening: civilised, sympathetic performances both, without any great electric charge, but carefully paced, delicately and deftly shaded. Between these two late-Romantic poles, and all but lost from sight, were the little set of *Variations on a Ländler by Schubert* by Detlev Müller-Siemens, a wistful young (b. 1957) neo-Romantic from Hamburg: 15 minutes of shredded *Ländler,* yet another wilting goodbye to "the security of lost tonality," *pretty enough,* and insubstantial to a degree. Stephen Barlow's direction of the Wagner and the Siemens was unexceptionably decent, sensible and secure.

DOMINIC GILL

Riverside Studios

One Rule

by ROSALIND CARNE

Any current hero of a people without a voice becomes an *immediate focus for their per*sonal and political needs. So says Mustapha Matura, and the message of his latest play for Black Theatre Co-operative can be equally applied to the author.

Matura left Trinidad for Britain in *1961, and since* beginning to write in 1966, he has become this country's leading name in black theatre. As a result, his plays bear a precarious burden of social expectation. Happily, he knows how *to manipulate stereotypes to* dramatic and political effect. Moreover, his work is sustained by a masterly familiarity with the rhythm of West Indian patois, and a pleasing vein of ironic humour. He can be un*fashionably rambling,* but this can also be his forte. However, in *One Rule* he departs from his characteristically loose scenario with a series of unlikely dramatic twists, in which the stereotypes themselves *wrench control from the author,* with dire artistic consequences.

In a week when reggae fans mourned the death of Bob Marley, the play draws several uncanny parallels in its study of the ethics of the popular *music business. Four members* of an aspiring band visit their old chum, Ivan, who has moved on since his Brixton days to become aide-de-camp-cum-nanny to singing super-star Errol Black. The three of them are deeply impressed by Ivan's stories of the trappings of fame *—drink, drugs,* groupies, wealth. Only Tick, the hard man, played by reggae musician Victor Romero, is unimpressed.

Errol (Gordon Case) returns unexpectedly to his flat to find the boys cavorting over his *plush upholstery, modelling his* satin-spangled suit and fooling with his expensive sound system. His anger fades, only to give place to the essential confrontation with Tick. Matura's skilful dialogue and Charlie Hanson's direction give equal weight to both sides—Tick's commitment to street credibility and Errol's apparently comfortable acceptance of the fruits of success.

The former emerges only gradually, as the voice to heed, but *from the moment* he achieves his steely dominance the play begins to flounder. Romero is more performer than actor; he has presence, but lacks human complexity.

My principal grouch is that any serious political investigation of the pop scene should do more than touch on the subordinate role of women. Katrin Cartlidge, a talented young actress, is unlucky enough to make her professional debut as Errol's white girl-friend, Suzie. Apart from a brief hint about her past, there is little insight *into the forces that keep her* with a man who taunts, beats, bosses and displays her.

LEGAL NOTICE

IN THE MATTER OF
SCREENREEL LIMITED
t/a PANACHE CASH & CARRY
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of June, 1981, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Patrick Granville White of 1 Wardrobe Place, Carter *Lane, London EC4V 5AJ, the Liquidator* of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 6th day of May, 1981.
PATRICK GRANVILLE WHITE,
Certified Accountant.

PUBLIC NOTICES

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION

PROPOSED MERGER BETWEEN HONGKONG AND SHANGHAI BANKING CORPORATION AND ROYAL BANK OF SCOTLAND GROUP LTD

PROPOSED MERGER BETWEEN STANDARD CHARTERED BANK LTD AND ROYAL BANK OF SCOTLAND GROUP LTD

On 1 May 1981, Mr John Biffen, Secretary of State for Trade, referred to the Monopolies and Mergers Commission for investigation and report under the provisions of the Fair Trading Act 1973, the proposed merger between Hongkong and Shanghai Banking Corporation and Royal Bank of Scotland Group Ltd; and the proposed merger between Standard Chartered Bank Ltd and Royal Bank of Scotland Group Ltd. The Commission are required to report on each of the proposed mergers by 31 October 1981.

Any person or organisation wishing to give information or views on either of these proposed mergers should write as soon as possible to:

The Secretary
Monopolies and Merger Commission
New Court, 48 Carey Street
London WC2A 2JT

DEPARTMENT OF TRANSPORT
TOWN AND COUNTRY PLANNING ACT 1971

The Secretary of State for Transport hereby gives notice that he has made an Order under S. 209 of the above Act entitled "The Stopping up of Highways (City of London) (No. 1) Order 1981" authorising the stopping *up of the un-named highway linking* the southern ends of Swan Lane and Angel Passage EC4, and parts of Angel Passage and Swan Lane and requiring the provision of a new highway.

Copies of the Order may be obtained, free of charge, on application to the Department of Transport, St. Christopher House, Southwark Street, London SE1 0TE (quoting GLRT 38/5002/7/022) and may be inspected at all reasonable hours at the City Engineers Department, Guildhall, London, EC2.

Any person aggrieved by the Order and desiring to question the validity thereof, or of any provision contained therein, on the ground that it is not within the powers of the above Act or that any requirement of that Act or of any regulation made thereunder has not been complied with in relation to the Order, may, within 6 weeks of the 15 May 1981 apply to the High Court for the suspension or quashing of the Order or of any provision contained therein.

P. M. LEE,
An Assistant Chief Engineer.

EXHIBITIONS

ASH BARN, Winchester Rd, Petersfield, Hampshire. Tel: 3662. Spring Exhibition of Paintings & Sculpture. Until May 31st.

CONTRACTS AND TENDERS

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday May 15 1981

Civil servants on the brink

A WATERSHED has been reached in the pay dispute between Britain's civil servants and the UK Government.

The pressure from the more militant factions in the unions to escalate industrial action into an all-out strike is high. But on the other hand, the disunity which this pressure is creating within individual unions and between the various unions involved in the dispute is threatening to dissipate the limited industrial strength which the civil servants have so far been able to muster. Union leaders, activists and rank and file members are all pulling in different directions.

The time for finding a solution which could conceivably be acceptable to the Government while saving face for the unions is running out. If a full strike is called, it seems almost inevitable that it will lead to an embarrassing defeat for the union side.

Action

All but one of the major unions have now decided to take part in an all-out strike in June if this action is called by their umbrella organisation, the Council of Civil Service Unions. The remaining major union, the normally moderate Institution of Professional Civil Servants, debates the issue next Tuesday, and after this week's votes, it, too, is likely to back a strike. There will then be less than two weeks, until the CCSU's next meeting on May 26, to find a compromise.

Even if it lasted only a few days, such a strike would cause greater inconvenience to the public than any of the civil servants' previous actions. However, in spite of the militant noises at the union conferences and the threats of indefinite closure of all ports and airports, a full-scale strike would be more of a threat to the unions than to the Government. The main argument against a strike from the unions' point of view is not that this would lose them public sympathy, since they forfeited what little they had of this at Easter, when they threatened the holiday plans of millions. It is simply that a strike will almost certainly start crumbling at the edges almost before it begins.

Unfortunately for the militants, the civil servants with the greatest industrial muscle, the air traffic controllers, are also among the least enthusiastic supporters of strike action. There is already a certain amount of resentment among them at their new role of shock troops for the whole movement.

The largest number of militants is to be found in the social security offices. Stopping payments to the unemployed, retired and disabled would turn public irritation into real anger, and the anger would certainly be directed at the officials rather than the Government. The main problem with an all-out strike would be that many of the non-militant civil servants who have been willing to join in sporadic action with little or no loss of pay would not be prepared to walk out and lose their pay packets.

Even in their own purely sectional interests, the Civil Service unions would do well to realise that they must now seek a speedy settlement. If their members had had the patience to continue with their guerrilla action for many months longer, it is conceivable that they might have squeezed a few extra concessions from the Government. But now that the choice is between suing for peace or launching into a full scale battle, the unions must accept that they do not have the strength of the miners

Flexibility

The Government has already paved the way for a compromise, by showing a degree of flexibility on other parts of the civil servants' pay claim. The offer of talks on the method of determining Civil Service pay in future years, of an outside inquiry into pay levels and of greater flexibility in next year's cash limit gives the unions plenty of scope for constructive negotiations. When the dispute started, there was a widespread feeling that it was not so much the level of this year's pay offer, as the suspension of the pay research system that was the root cause of the civil servants' anger. There now seems a reasonable chance that a new and mutually acceptable system could be agreed by the next pay round, thus achieving the unions' most important objective. However, if the unions stick to their unreasonable preconditions before re-entering negotiations and if they escalate the dispute further, they could find themselves snatching defeat from the jaws of what could certainly be described as a draw.

Open trade and export credits

WESTERN INDUSTRIALISED nations are engaged in an export credits race which none of them wants, which all agree is costly, but which they cannot agree to stop.

Companies no longer compete freely for overseas capital project contracts. The whole market has become hopelessly distorted by government intervention and subsidy. The need to bring in orders from developing countries for recession-laden industry has led governments to buy business and beggar their neighbours in much the same way as if they shut their borders to imports.

Twenty-two major trading nations have been meeting in Paris this week trying to come to terms with the issue. Wholly predictably, given the interregnum in France, they failed, just as they failed last year to devise reforms for the international agreement on export credits, the so-called Consensus.

Venice talks

The situation they faced was broadly the same as that which prompted the Venice economic summit last June to agree on the need for reform. The Consensus interest rates which govern the provision for credits for between two and 10 years remain between 7.5 and and 8.75 per cent, while market rates for funds in some countries have leaped to double that. Indeed in France yesterday, the Bank of France's money market intervention rate rose to 18 from 16 per cent.

This disparity has been met in countries like the UK, with high domestic interest rate structures, by official subsidies enabling exporters to quote credit terms to potential buyers at Consensus rates. The subsidies cost the British taxpayer around £500m in the last financial year. Such distortion of competition is compounded by the habit, started in France and followed by others, of blending concessional aid with credits at Consensus rates to produce even lower effective interest rate costs.

The question, then, is how to keep the competition as free from subsidy as possible without building in too strong an advantage for those countries whose domestic interest rates are prevailingly low — for example, Japan, West Germany and until recently the U.S.

At the Paris meeting three main schools of thought were present. The U.S. and Canada want the Consensus interest rate structure raised considerably, with a mechanism built in to allow automatic changing of the rates to keep them in line with market costs. The EEC is prepared to go no further than a small adjustment to the Consensus interest rates with regular provision for review. Japan, reflecting its own lower domestic interest rates, wants authority for its Export and Import Bank to offer funds at below Consensus rates, even though it is difficult for other countries to offer yen-denominated export packages.

The interests of the international community will be best served by keeping the trading system as free and open as possible. This points to the progressive elimination of subsidies by European powers and a movement towards the U.S. position. The ideal way would be to maintain a uniform system of Consensus interest rates worked out on the basis of an average of the individual rates for all the participating currencies, to be changed regularly to keep in touch with market movements. At the very least, as an interim measure, the EEC suggestion of periodic formal reviews should be adopted, provided there can be this year a substantial upwards adjustment of the Consensus interest rates.

Restraint

Serious negotiations are unlikely to be resumed until the autumn. The Consensus meanwhile must be kept in being. This demands restraint from all the parties—restraint on the European side in the use of mixed credits, restraint from the U.S. in its declared intention selectively to breach the Guidelines as a means of bringing the EEC to what it sees as a more amenable position. But the EEC should be aware that time for reform is not unlimited. If it dallies too long, it may find the Reagan Administration's hand twisted by an irate Congress. And beyond the argument about export credits lies a threat to open trade itself.

POLITICS TODAY

The consequences of Mitterrand

By Malcolm Rutherford, Political Editor

THE NEWS from Chequers where Mrs. Thatcher met Helmut Schmidt earlier this week is that far from being bowed down by his own party's defeat in Berlin, or depressed by the departure of President Valery Giscard d'Estaing in France, the German Chancellor is determined to go on until 1984 and is delighted to have the British relationship to fall back on.

Anyone who believes that will believe anything.

True, it may be what is being said at the time and with the best of intentions. When the political map of Europe changes overnight, it is advisable to put on the best face possible. Yet the fact is that the election of Francois Mitterrand as President of France is likely to have consequences which are as yet unforeseen and unforeseeable. It would be foolish to draw quick conclusions.

There appears, at least in Britain, to be a certain amount of *Schadenfreude* at Giscard's defeat. That such a lofty figure can be voted out of office shows that even the most pretentious can be toppled. It is said that France will now return more to the ways of the Fourth Republic, and a jolly good thing too.

The memory is at fault. The Fourth Republic was characterised, even caricatured, by its frequent changes of government and political crises. In fact, it was dominated by two external developments: Indochina and Algeria. Nothing in the British experience of decolonisation remotely matched the upheavals caused by the French efforts to keep, and then to disengage from, those overseas territories. Even the Irish question today causes nothing like the political disruption in mainland Britain that the Algerian question did in France.

Indochina and Algeria apart, the achievements of the Fourth Republic were rather impressive. It laid the foundations for the economic growth of the next two decades. Britain did not notice at the time because France was thought to be politically unstable, but it was happening none the less.

The France of the Fourth Republic also prepared to enter the Common Market and began the process of the reconciliation with Germany—the two seminal events of postwar European history.

The convulsions caused by Indochina and Algeria belong to the past. There is no reason to assume that France will return to the more unstable ways of the Fourth Republic merely because the electorate has chosen to vote out an incumbent President. Those causes of instability were long since removed.

On the contrary, it is a tribute to the political maturity

The people did not even take to the streets

of the Fifth Republic that a President can be quietly defeated at the ballot box. The people did not even take to the streets, as they did when they became dissatisfied in 1968 with the slogan "10 years is enough."

Giscard was in almost every way an admirable President: liberal, intelligent and internationalist. Yet he had one cardinal fault: he was a snob, and a snob with foibles. He could debate economic and defence policy with the best of them. But in the end it was not the intellectuals whom he invited to dinner. He liked to hunt with the Emperor Bokassa rather than to dine with (say) Professor Raymond Aron. He preferred a court to the company of equals.

As a consequence, he alienated some of his most natural supporters—some to the forces of M. Chirac on the Gaullist right, and some to the Left. That is one reason why he has paid the price.

Another reason is the fact that France had again become bored. It may seem a superficial theory of politics, but it certainly seems to be true of the French: ten years *is* enough.

Giscard had only seven, but if he had been re-elected, he could have had 14. That is an awfully long time in politics. In the last 14 years or so, for example, there have been five different Presidents of the United States.

It is ironic that both Giscard and President Pompidou before him sought to shorten the term of office. It seems to me that this is an urgent matter for reform for President Mitterrand.

Do the French want to contemplate being invited to vote Mitterrand again in 1988 or do they want one-term presidents.

It is no less ironic that at the same time people in the U.S. should be talking about lengthening the term of the American Presidency and that even in Britain there are suggestions of prolonging the life of a government in order to give it time fully to implement an economic programme without having to think too much about the next general election.

Somewhere between the French and the American system there has to be a happy compromise: say five years. The British system is not comparable because it is not presidential and there are no set mid-term elections.

The same boredom factor or desire for change leads to the only direct comparison between what happened in France and what happened in Berlin last Sunday. In Berlin the Social Democrats had been in power almost as long as a large part of the electorate could remember. The party had become tainted with corruption. Although this was not at the highest level, it was the party leaders who had to pay the price.

A majority of the French voted leftish, and sufficient Berliners voted rightish, to produce a change that they clearly felt was long overdue. That is the only common denominator.

Something else happened in Berlin, however, which is worth noting. Under the German system of proportional representation, the Alternative List entered the City government. The Alternative List is a ragbag of ecologists and near-sympathisers with the Baader-Meinhof group who appear to have no coherent policies between them.

It has been argued — most persuasively by my colleague Joe Rogaly in last Wednesday's Financial Times — that the British should now urgently introduce PR in order to prevent left-wing takeovers such as occurred in the Greater London Council after the county elections last week. Yet the Berlin example, and indeed what happens under the German PR system almost all the time, ought to give us pause.

Somewhat to oversimplify, the German system works by allowing parliamentary representation to any party which wins at least 5 per cent of the votes. Thus the far right wing National Democrats failed by only a fraction to enter the Federal Parliament in the general elections of 1969. The Liberal Free Democrats, who generally poll between 5 and 8 per cent of the votes, have a political power quite out of proportion to their voting strength and can make or break German coalitions. Not least, we now have the Alternative List represented in Berlin.

My own view is that the answer to the British problem is that more people should take an interest in local politics and that the whole system of local government should be reformed to allow greater autonomy and to encourage more people to vote because they know that their pocket will be affected by the result. We could start with local income tax. At present we are going in the opposite direction, which is not what the Conservatives promised.

The answer to the German problem is that the 5 per cent hurdle for parliamentary representation should be raised to at least 10 per cent. Like shortening the term of the French presidency, it is these relatively minor constitutional changes from time to time which make all the difference between a flourishing and an atrophying democracy.

We come back to the victory of M. Mitterrand and the Franco-German relationship.

The troupers can make it in the end

The most ebullient British reaction that I heard came from Mr. Denis Healey talking on the radio at breakfast time on Monday. Chevenement, Mauroy, Rocard, all these Mitterrand supporters and presumably future Ministers, were well known to him and will soon become household names in Britain. Mr. Healey is right: M. Mitterrand's victory does give some hope to the British Labour Party. The troupers can make it in the end.

But it was more than that. M. Mitterrand won because he managed to persuade sufficient French voters that he would not be dominated by the Communist Party. That is the historic change. If he can prove in office that the Communists have become peripheral, we can expect repercussions throughout Europe and perhaps especially in the south. Could Sig. Craxi, the Italian Socialist, then make his breakthrough and end the period of Christian Democrat domination in Italy?

It was the fear of the Communists which kept the Christian Democrats in power all these years. In Italy the fear even overcame the boredom and corruption factors. It is possible that there is now a socialist alternative. That is why the election of M. Mitterrand has made the whole of European politics more fluid.

As for the Franco-German relationship and the Chequers view that the Germans will now fall back on us as being more reliable—steady, dependable and always there—it seems to me that that is wishful thinking, deriving not only from mistaken perceptions of the French Fourth Republic but also from the 19th century. British politics are at least as fluid as those in continental Europe.

The proper approach to the Bonn-Paris relationship is to encourage it, try to join it and to bring in as many other Europeans as possible. After all, we are all Europeans together. Nothing about the French or Berlin election results need change that, even if, as I suspect, Chancellor Schmidt is now on his way out.

The saddest news item of the week was that Mrs. Thatcher had never met M. Mitterrand and that Herr Schmidt had met him only twice, despite the Socialist International. It makes one wonder what all these foundations which are supposed to bring people together for informal weekend gatherings have been doing. Political leaders of different parties ought to talk to each other, and across geographical boundaries. They might find that they have more in common than they imagine.

MEN AND MATTERS

For whom the Bill tolls

There have been some curious side-effects from that legislative hotchpotch, the Local Government Planning and Land Act, since Michael Heseltine began administering it towards the end of last year.

Its financial results cause almost daily embarrassment. Free-spending councils seem immune to its treatment while the economical complain of its harsh powers.

The Act has had some disparate and unexpected effects, too, on the careers of those most closely involved in its long and stormy passage through Parliament.

The finance officers of the three local authority groups who tried to negotiate changes in the Bill found the year's fruitless work so demoralising that they have all resigned their £20,000-plus jobs and moved to the private sector.

Rita Hale of the Association of Metropolitan Authorities is joining City commodity brokers Charrington and Wood; Peter Wain of the Association of District Councils has gone to Price Waterhouse; and Brian Binder of the Association of County Councils is starting his own business

Peter Owen, one of the civil servants charged with getting the Bill into shape but who made no secret of his scepticism about some provisions, has been promoted but moved to the Environment Department's outpost in Leeds.

Promotion has also been the reward of Terry Heiser, who led the civil service team through the late-night sessions. After the Act, he has become a deputy secretary and, at 48, is now in line for a place in Whitehall's top tier. Heiser, who joined the colonial service as a 16-year-old, was one of the few top civil servants to take part in the recent one-day strike. It has proved no more of an obstacle to his advance than the block grant.

"I suppose it follows—they're always breaking them!"

Four-shortened

It seems to have become the fashion for companies threatened with takeover to rally their employees to say rude things about the predator. So the British Sugar Corporation invited its senior managers to write a long letter to shareholders expressing their "most serious misgivings and concern" about S. and W. Berisford's bid. The letter has been signed by 69 out of a total 73 BSC executives. The shortfall, of course, has nothing whatever to do with BSC's recent decision to close four beet factories in East Anglia.

Three-suitor

Company marriage broker Nicholas Stacey lays claim to a new record for his profession by arranging a third trip to the altar for the same company over the past 16 years.

Chesham Amalgamations and Investments, which Stacey heads, arranged the first deal for shippers Baxter Hoare in 1965 when Rothschild's bought 25 per cent of the equity from founder-owner David Saphir for £125,000. Some five years later, Stacey negotiated the second—rather more expensive—deal in which both Saphir's and Rothschild's holdings were sold to Cunard for £1.75m. Saphir bought the equity back about 18 months after that in October, 1971, for around £1.25m.

Baxter Hoare stayed private and unattached until a third suitor appeared earlier his year. With merger brokers P. J. Kennett, also taking a hand, Stacey this time negotiated the sale to Bowater Corporation for more than £3m. That, Stacey thinks, is probably the end of the affair.

Related point

No holds barred in House of Commons Committee Room Five, where the Lloyd's Bill for improving self-regulation is being studied.

Lloyd's chairman Peter Green recalled his remark that it was possible for an insurance broker to own an underwriting agency without any abuse taking place: "It is quite possible for one to live with one's mother without committing incest. I have lived with my mother without committing incest."

"'Unless,' the cynic might say," riposted Michael Mann QC, "'there is a tax advantage in doing so'."

Prophet account

The Italians are arguably not so much a religious people as a superstitious one—and thus it is no surprise that the momentous events of this week should have spurred new interest in the mantic utterances of Nostradamus, the 16th century soothsayer widely regarded in and beyond Italy as the most accurate prophet of modern times.

Nostradamus is said to have predicted in his writings three events which have recently shaken Europe: a wave of violence in Spain; the victory of Francois Mitterrand in the French presidential election; and the attack on the Pope.

On May 8, before the French second ballot, it was argued by Renuccio Boscolo, illustrious Italian interpreter of the sage, that Nostradamus's writings pointed to a Socialist victory. The key quatrain told how "in the month of the rose (May), the flower (symbol of the French Socialists) would flourish." In that same quatrain, Notradamus even writes of the "Falce d'Estain" (scythe of tin). A final "g" would make the point clearer still.

The prophet also said that May would be marked by trouble in Spain, and that the Pope of the day should not travel, or else blood would be spilt. And on the last day of this month, the peripatetic Pontiff was indeed scheduled to visit Switzerland.

Double take

"A wee dram, Ambassador?"

"Of course, First Secretary. Make it a treble, would you. No, hang it, man, pass the bottle, and open another one for yourself."

Not that I am suggesting that sort of thing is happening in embassies throughout the Islamic world. But the Statistical Report for 1980 from the Scotch Whisky Association gives pause for thought. Exports to Saudi Arabia rose over nine times in volume terms, almost four times in value terms. Which also suggests that the local buyers have developed some fairly shrewd bargaining techniques.

Over in Pakistan, almost twice as much Scotch is being drunk, while Iranian-based thirsts account for some 21,000 litres of pure alcohol in whiskified form.

Observer

FINANCIAL TIMES SURVEY

Friday May 15 1981

International Property

Investment overseas is not for the faint hearted, but inflation has served to underline the value of bricks and mortar and there is a growing band of investors preparing to take the plunge.

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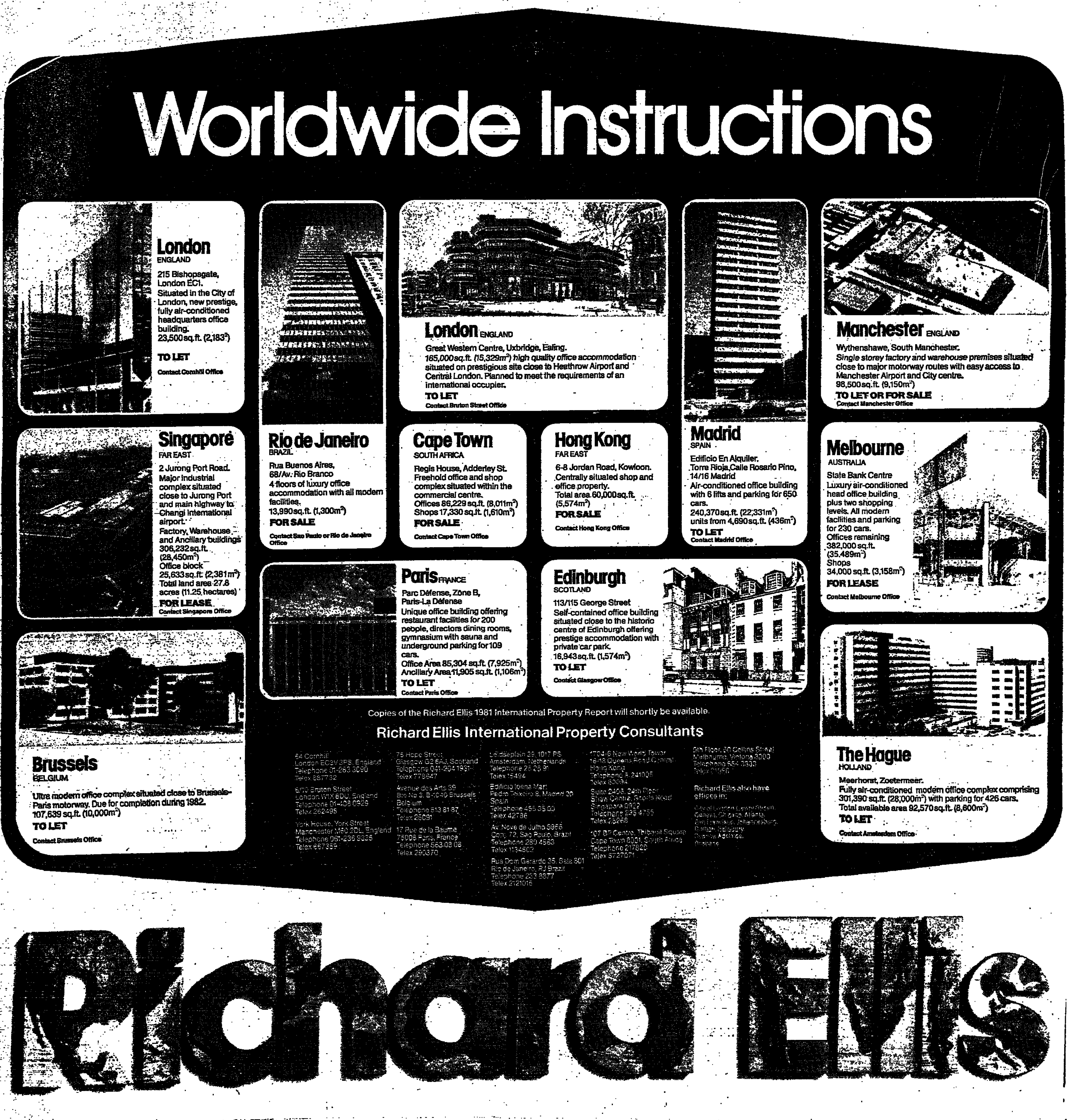
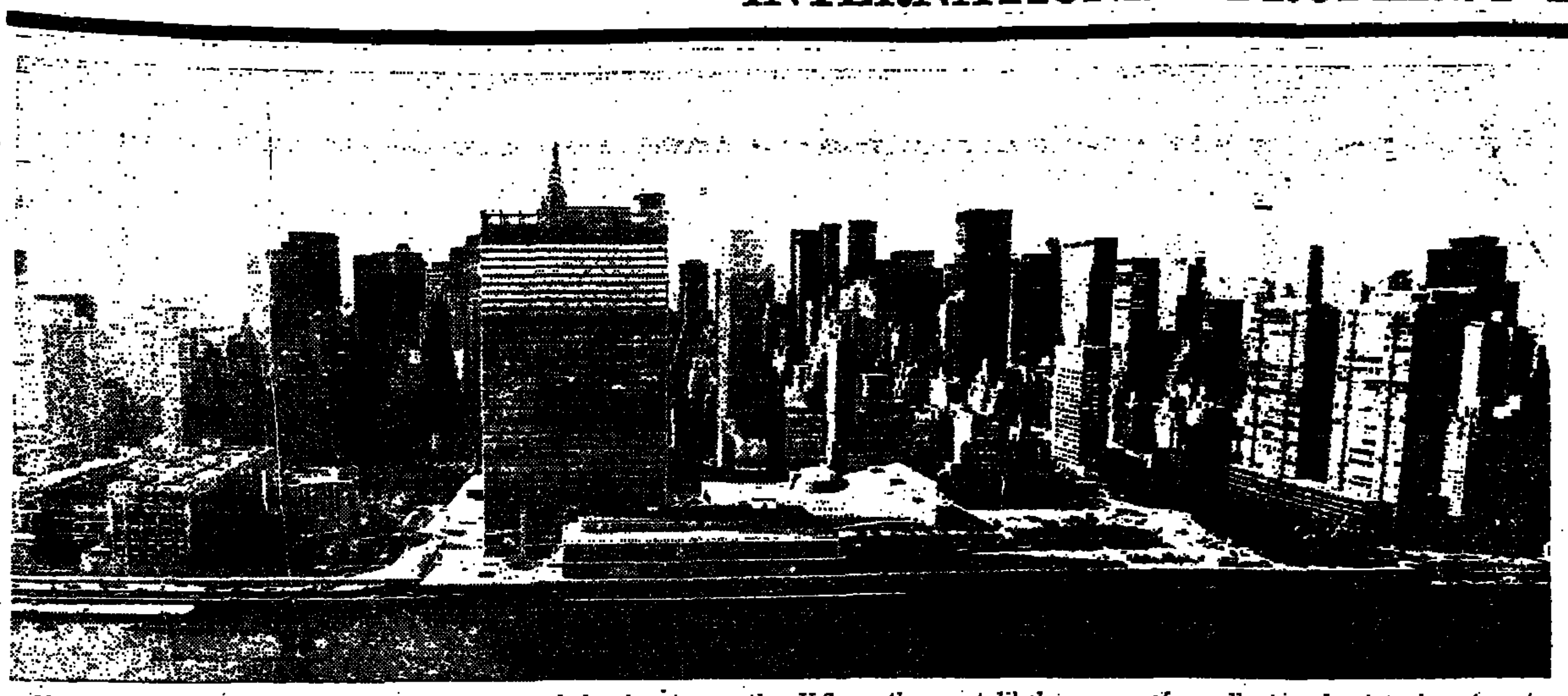
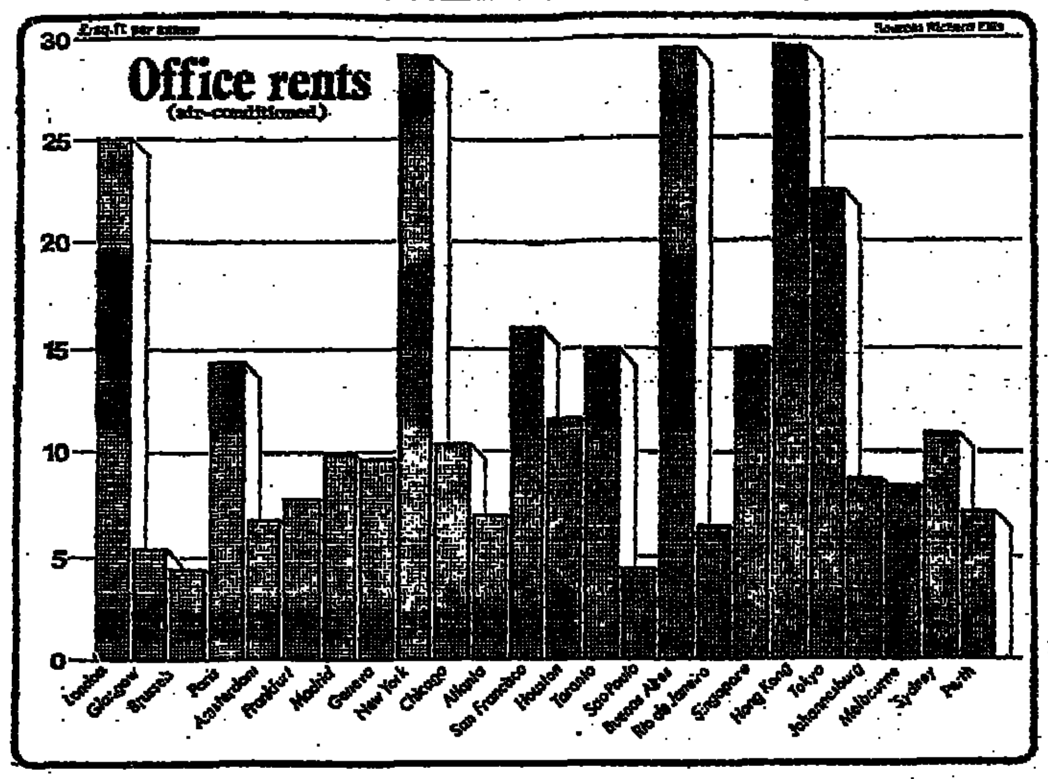




New York's imposing skyline. Institutions and developers see the U.S. as the most likely source of excellent real estate investment



Commercial investment survives the flow of recession

INTRODUCTION

MICHAEL CASSELL

INTERNATIONAL recession, currency risks, fiscal restraint, protectionist investment legislation, language difficulties, legal barriers and, on the part of many participants, sheer lack of experience, has apparently done little to stem the rising tide of cross-border investment in commercial property.

In their efforts to spread investment portfolios and to seek out and invest in those markets offering the best potential for rising incomes and capital growth, increasing numbers of institutional investors around the world regard international property markets as a logical and perhaps inevitable extension to their investment options.

Where a handful once went as pioneers, more have followed and the build up of international property investment activity at times seems to have been frustrated as much by the growing difficulty encountered in finding good opportunities as by any lack of enthusiasm on the part of the potential investor.

International property investment is not, however, for the faint hearted. It is complicated, represents higher risks and carries no guarantee of handsome dividends. The roll of wrecked ambitions and collapsed dreams on foreign shores is long enough to demonstrate what can go wrong but—despite the past—there is fresh momentum in the search for overseas property holdings.

In more and more countries, the domestic institutions usually insurance companies and pension funds, have become increasingly influential elements in the real estate business.

Widespread inflation has only served to underline the advantages of investment in bricks and mortar and the way in which property has been added to the range of investment options by institutions in some countries has provided a lesson which others are anxious to follow.

Having gained valuable experience in both the positive potential and the pitfalls of commercial real estate investment in their own countries, many investing organisations are ready for the next step—the move overseas. It is a big step and one which some institutions, despite their size and the scale of their available resources, remain unwilling to take.

Big gulf

They rightly appreciate the tremendous gulf which can separate one property market from another and admit that their managerial and professional skills, together with their experience, may be insufficient to face the challenge of an overseas investment operation.

But at the same time, there is a growing band of investors in property—drawn from countries all round the globe—who believe their role in investment markets is set to expand much further.

So far, it has almost always been the largest institutions which have taken the plunge overseas, initially from countries like the UK—where the science of property investment is well-established — and Holland where domestic opportunities have all but run out. But now these traditional explorers are being joined by new competitors.

In the same way that European pension funds and insurance companies, with large amounts of money to invest and freedom to do so where they will, have been forced to widen their investment horizons to embrace overseas countries, so some governments have had to take the same decision.

With enormous wealth to invest, some of the oil-rich nations like Kuwait and Abu Dhabi—which are building for themselves an adventurous "breed" of institutions—have proved ready to invest worldwide. When set against their investment in commercial real estate, their well-publicised involvement in luxury residential real estate pales into insignificance.

In the UK alone, the Kuwait Investment Office, the investment arm of the Kuwaiti Government, has built up via its own property company a portfolio thought to be worth well over £400m.

The Middle Eastern nations are not alone, however, in developing their international property interests. The American institutions, which for the most part have only recently begun to recognise the potential of real estate investment in their own country, are considering overseas purchases to add to their rapidly expanding portfolios.

A change of laws governing overseas investment by Japanese businesses and institutions has also enhanced the chances of a fresh type of "Japanese invasion," this time involving investment funds rather than colour televisions and cameras. Several major Japanese institutions are examining the property markets in several major centres and acquisitons are reported to have already been made in America and France.

The French institutions are thought to be becoming more adventurous and are currently seeking foreign property investments, while the Chinese property entrepreneurs in Hong Kong are building up their overseas property portfolios.

Many of the funds seeking foreign property have the depth and breadth of resources to contemplate investment in a strange environment and—as important—the strength to withstand any major setback in their overseas investment programme.

What is slightly more disturbing is the trend for the investment managers of considerably smaller funds to see overseas property not as an eventual device for increasing property portfolios but as an immediate technique, particularly necessary at a time when they are faced with accepting rock bottom yields in order to penetrate their own domestic property investment market.

The practice is not common but small funds in one or two countries have been demonstrating an overseas pioneering spirit which is in itself commendable, but which leaves at least a suspicion that a proportion of their investors' funds could prove to be quite exposed.

Doldrums

As with the largest investing institutions, their smaller counterparts have tended to concentrate their activities on the U.S., which despite the country's somewhat ragged economic performance of late, remains at the centre of international property interest.

With European markets in the doldrums, the U.S. is regarded by institutions and developers as the most likely source of excellent real estate investment, although there is overwhelming evidence to suggest that the market is changing fundamentally and that the experiences of the foreign investor during the past few years are likely to begin to change.

For years, there have been predictions that U.S. pension funds would begin to play an increasingly important role in American real estate and this is beginning to happen. The pension funds have taken property "to their heart" and their involvement on such a potentially vast scale will change the name of the game.

The impact on yields—traditionally higher than in most other major real estate markets—could be dramatic, and property assets are being transferred from public and private developers to institutional portfolios at a rapidly increasing rate.

Already, a susbtantial proportion of first class property is owned by the institutions who do not tend to sell. At the same time, a substantial amount of new development is already in joint partnership with institutional partners—a well tried formula in some countries but until recently a rarity in the U.S.

When completed, much of this property will not be available for purchase and consequently there is unlikely to be a substantial increase in the number of available prime properties. In addition, the volatile, long-term money market and the expensive short-term market will tend to hold back some development.

All these factors are expected to restrict the supply of potential investment property at a time when the indications are that demand will jump significantly. With the increasing interest of the pension funds and insurance companies mirrored in the rising interest of those foreign investors seeking higher yields, those very returns can be expected to fall dramatically.

Before long, the U.S. market could demonstrate the same characteristics which confronted the foreign investor in his own home market and which first made him look further afield. The search for property investment could then move on to some fresh fashionable location and it is a consolation to know that other property markets may display the same type of potential as the U.S.—though not perhaps the openness and freedom most readily associated with American real estate.

U.S. centres hold out promise of growth

WORLD RENTAL LEVELS

MICHAEL CASSELL

WHILE commercial property rents in many parts of the world have been weakening in the face of economic problems, often struggling to keep pace with local inflation rates, some have been performing as though there were no international recession.

The result has been that the property markets which have traditionally been the most expensive locations for commercial accommodation are no longer quite so far ahead of the field.

Until recently the City of London was undisputed leader in any international table of office rentals, and while there is no doubt about its continuing influence and importance, pressures of supply and demand (not forgetting inflation) have begun to thrust other major commercial centres into the same league.

A report from Richard Ellis claims that London is no longer the most expensive office location when expressed in rental terms. Its traditional lead in the field has been whittled away, to the extent that the agents' latest survey of international office rents puts locations like Hong Kong, Buenos Aires and even New York ahead. While prime rents in London are about £25 a sq ft, they have already reached over £29 in some centres.

A crude cost-per-sq-ft comparison can be however, misleading. New York rentals which have been rocketing in the wake of space shortages, include property taxes and service charges, which is not the case in London. New York rents are also computed on a gross rather than a net internal basis, although this is taken into account in the Ellis calculations, which produce a figure of £29 a sq ft inclusive on net floorspace.

But London is not the only major centre to record modest rental increases in recent months, though it says something for this particular location's innate strength that there has been any growth at all in a stagnating economy.

The pattern of rental growth in most European office centres has been steady rather than spectacular and another surge in rents is unlikely until the recession ends and demand once again begins to expose the shortages of space brought about by low development programmes.

For the property developer and investors, rental growth prospects, which have a direct impact on potential capital growth, are all-important and on this basis some of the major U.S. commercial centres hold out great promise. In the past, what appeared to be comparatively total freedom to build in many U.S. cities made the task of development an easy one, but this very freedom has at the same time helped stifle the type of rental and capital growth prospects which are born out of constraints on supply.

All this has been changing as the strength of the environmental and planning lobbies have grown, both in Congress and in the State capitals. There is a growing requirement for developers to provide "environmental impact" statements when seeking building permits, and the controls applied to these permits have undoubtedly become more stringent.

The effect of these controls—and caution on the part of the property developers—has been to restrict the flow of new schemes, while the energy crisis has again put fresh emphasis on the advantage of centrally located property.

In many downtown areas, there is a shortage of new developments which, when combined with high occupancy rates, is tending to push up central business district rents and trigger off a new wave of development interest. Nowhere are the results of such pressures more evident than in centres like Washington, New York, Denver, Dallas and Chicago, where significant rental increases have recently been achieved.

Dominance

A comparison of international office rents illustrates the dominance of just a handful of commercial centres. Buenos Aires, London, Hong Kong and New York—each commanding prime office rents in excess of £20 a square foot—stand ahead of the field. A few centres, such as Paris, San Francisco and Toronto can achieve rents in the £12-£15 a square foot range while most other major international office locations now achieve rents in the region of £10 a square foot.

It is evident that while most of the main office markets of the world continue to be located in the more advanced industrialised nations, the fastest growing markets are in the rapidly developing countries. Office activity is increasing at the fastest rate in countries like Brazil, Indonesia, Nigeria and—as already mentioned—Argentina, Singapore and Hong Kong.

In these countries, the growth of financial, professional and business services is stimulating the need for additional office buildings in the main commercial centres. Much of the existing office accommodation in these centres is hopelessly outdated, and new developments are taking advantage of the latest advances in office design and technology to provide a new generation of buildings of a standard still in comparatively short supply in long-established commercial locations.

The pressures on these expanding office markets are being intensified by the arrival of multinational corporations who want to secure a foothold but who also want to invest their capital in their businesses rather than in building ownership. The rental markets in many of these emerging centres are therefore particularly strong. Over the next few years, these markets are likely to become increasingly important and expensive..

Rents are not, however, the only cost consideration confronting the occupier. The tenant in a City of London office building can expect to pay a sum equal to half the rental in local property taxes. He will also almost always be liable for the maintenance, repairs and insurance of the space he occupies—a liability he will not necessarily confront in a large number of international office locations.

Labour costs represent a major element in overheads and, in London's defence, it has to be pointed out that wages have traditionally been comparatively low on the scale of international earnings. Enough to more than offset the higher accommodation costs involved.

As a result, the overall cost per employee of maintaining an office in Geneva—where rents are less than half the prevailing level in London—is much greater than in the UK capital.

WORLD OFFICE RENTAL LEVELS

(£'s per sq ft p.a.)

	Suite of 5,000 sq ft Highest standard with air conditioning £	Suite of 5,000 sq ft Reasonable standard £	Additional charge for services %	Rent review or indexation
London	25.00	17.00	15	R/R 5 yearly
Glasgow	5.50	4.50	20	R/R 5 yearly
Brussels	4.58	3.90	30	Indexation p.a.
Paris	14.38	10.37	20	Indexation p.a.
Amsterdam	6.70	4.78	20	Indexation p.a.
Frankfurt	8.13	5.58	20	Indexation or R/R every 2/3 years
Madrid	10.03	6.87	15	Indexation p.a.
Geneva	9.91	7.65	10	Indexation p.a.
New York	29.04	19.02	Nil	None
Chicago	10.56	5.98	Nil	R/R expiring
Atlanta	6.93	4.62	Nil	R/R expiring
San Francisco	16.17	10.16	Nil	None
Houston	11.62	8.15	Nil	R/R every 3/5 years
Toronto	14.86	10.73	Nil	None
Sao Paulo	4.53	2.64	Nil	Indexation per 3 months
Rio de Janeiro	6.61	3.97	Nil	Indexation per 3 months
Buenos Aires	29.43	15.15	Nil	Indexation
Singapore	15.04	11.09	10	R/R expiring
Hong Kong	29.51	17.01	Nil	R/R 3 yearly
Tokyo	22.63	N/A	Nil	†See note
Johannesburg	8.71	5.98	Nil	6% compound p.a.
Melbourne	8.52	5.32	Nil	R/R 3 yearly
Sydney	10.95	8.45	Nil	R/R 3 yearly
Perth	7.30	5.64	Nil	R/R 3 yearly

Source: Richard Ellis Research.

Market remains 'a haven of stability'

UNITED KINGDOM

WILLIAM COCHRANE

"THE LARGE INCREASES *in* prices in recent years have reduced initial yields, especially in London, to very low levels (in some cases around 4 per cent). These low yields, in combination with the high interest rates on loans denominated in sterling, render the market more or less uninteresting *for foreign investors* at the moment."

Sentiments of this sort, expressed here by the Dutch property group Wereldhave in its 1980 annual report a couple of months ago, are by no means unusual from overseas observers of the UK financial scene—like Daon Developments, the big Canadian developer which listed its stock on the London stock market recently, they have a tendency to see London as a provider of funds rather than as an avenue for their disposal.

But while Wereldhave further reduced its property holdings in London last year with the sale of an office building and several shops, it will also be remembered as an aggressive bidder for the English Property *Company, and as the partner* with the Canadian Cemp offshoot of the Bronfman family *in a recent UK property initiative.*

Representation

Perhaps the key to the problem is representation on the ground and the difficulty, or otherwise, of achieving it. It *was acknowledged recently* that New York office rents had topped those in London. Rodamco, *the* Dutch property fund associated with the massive Robeco investment trust *management operation, echoes* Wereldhave's feelings about London; but it emphasises that *its confidence in the U.S. stems,* in large part, from its 40 per cent stake in Hexalon Real Estate, which gives it staff over there.

For the UK, David York of Weatherall Green and Smith puts it this way: "UK rents are *high, if you concentrate on the* City of London and the West End. Most foreigners, however, *say that it is the lower yield* rate which puts them off." But then Mr. York gets down to *basics*: "*The UK market is* pretty well sewn up; I don't think that many overseas property companies have major territorial ambitions; if they had, the strength of the pound would make it expensive to develop those ambitions here."

For developers with the will to act, be they foreign, international or domestic, the rewards are clearly apparent. A spokesman for Richard Ellis has described the UK investment market as a "haven of stability," retaining confidence even though political, financial and economic indicators have at best fluctuated in the past year or so and have at worst shown persistent signs of decline.

Stability, in fact, was the last *thing* British Petroleum was talking about at the end of last month when it unveiled its new City of London "extension," some 440,000 sq ft of offices at Britannic House West in what was arguably a fringe location. Bought for £93m eight months before, Britannic House was considered to be worth £120m to £125m by the end of April.

In *practice*, says Ellis, funds are reviewing their strategies and in many instances they are broadening the spectrum of properties which can be accepted in institutional portfolios. The larger funds in particular, according to Ellis, can prudently consider higher-yielding properties where the yield gap over-discounts the prospects for future rental growth; and they are also looking closely at investment properties where there are substantial prospects of improvement through refurbishment, redevelopment or the acquisition on restructuring of interests.

Demand for prime properties, conclude Ellis, continues at a high level. The interest of funds is especially strong for offices, and demand for high quality industrial and warehousing investments is tending to increase.

On the other hand, Ellis remark, there is some evidence of *slackening* demand for prime shop properties in the context of uncertain prospects in the retail sector; even in prime Oxford Street locations in London there has been some evidence of rents weakening.

Both Ellis and Weatheralls *sound a warning* note about secondary properties. Ellis observe that there are few pur*chasers for secondary properties*, except for industrial investments which offer a high *yield; Weatheralls remark* that "the more exacting requirements of the investment institutions may raise some concern as to real market value of secondary property . . ."

For the sector as a whole, views of the future must be *conditioned by the happenings* of the past. Weatheralls note: "The market undoubtedly became overheated in *1972* and 1973, particularly in the office sector, and the financial setbacks occasioned thereafter, assisted by oversupply of provincial offices and over renting in London, caused some substantial losses."

Since then the combination of inflation, recession and high money costs has painted a *cloudy economic backcloth*, with a silver lining in the shape of North Sea oil. *Weatheralls* again: "The level of MLR varying between 12 per cent and 17 per cent has had little effect on property yields. This is likely to remain the case in an inflationary climate whilst there is such weight of money seeking investment and other markets appear unattractive. The estimated annual investment in property *of £2bn is unlikely* to diminish whilst responsibility for savings remains primarily in the hands of private institutions and pension fund trustees."

Sector by sector, Weatheralls reckons that at current rental levels, the low yields on prime *shop properties* will prove justified; they note that higher returns can be obtained *by the purchase* of departmental stores or High Street supermarkets where the overall rental base is considerably lower: "An investor should, however, look carefully at the suitability of the building for alternative occupiers . . ."

They forecast steady growth in City of London office rents and *take a cautious* view *of those* in the West End. In industrial and warehouse rents they see a decline in development activity in the short term, but suggest that the financing institutions would be wise to reassess the position in, say, two to three years' time. "The areas of international demand close to London and the airports," say Weatheralls, "will be the *first to* move ahead."

Not surprisingly, Ellis take a *similar economic* line. Their view of immediate prospects is that the 1981 property scene seems destined to be dominated by the recession and the gradual emergence of the UK economy from its deepest trough.

According to Ellis, the retail property sector seems likely to *experience more extreme* pressures than other sectors of the market, although in some areas industrial and even office properties may not attract the demand which will speed lettings.

Ellis concluded that the involvement of the institutions in more direct development will help to create additional floorspace *which may be required* in centres likely to experience serious shortages of office and *industrial premises as economic* activity revives.

PORTFOLIO PERFORMANCE

(January 31- 1980-January 31, 1981)

	Percentage by capital value 1981 %	Capital growth %	Rental value growth %
Shops	20	13.1	10.7
Mixed shops and offices	16	14.5	13.7
Offices	38	8.2	11.9
Industrial/Warehouse	26	6.4	21.8

Source: Weatheralls Property Report 1981.

PRIME YIELDS ON UK FREEHOLD PROPERTY

(%)

	March 1978	March 1979	March 1980	March 1981
Shops	4¼	4	4	3¾
Offices	5	4½	4¼	4¼
Industrial/Warehouse	6¼	6¼	6¼	7

Source: Weatheralls Property Report 1981.

Few attractions for the overseas investor

BELGIUM

ANDREW TAYLOR

THE RECESSION in the Belgian property market may have passed its nadir but there has been little in recent events to encourage a new generation of international property investors to put money into a country battling against a sustained and *major economic* and political crisis.

The Belgian property scene continues to hold few attractions for the overseas investor which remains deeply suspicious of a market which suffered from an acute oversupply of accommodation following the building boom of the late 1960s and early 1970s.

Even the Dutch pension funds, a mainstay of Belgian property development in the *past few years, have in recent* months largely deserted the investment market. As a result, *risk capital for new speculative* industrial and commercial developments has become even harder to find.

The Dutch funds—like their British counterparts—prefer to put their money into the North American property market where, longer term, the funds believe their investments will be more secure and earn a better rate of return in a potentially very strong U.S. economy; by comparison with the weak Belgium economy, which has come under increasing pressure in recent months.

Rodamco, a major Dutch developer, speaking recently about its doubts about property investment in Belgium, suggested that in future a greater proportion of its resources may be going to the attractive North *American real estate* market.

This view is by no means unique among Dutch funds and developers *and Bernard Thorpe*, British based commercial agents, with offices in Brussels and Antwerp, have reported increasing difficulty in attracting property investment finance from traditional Dutch sources—which in the past have accounted for the greater part of speculative development in Belgium.

Rental levels

Some observers believe that the national economic crisis is holding back a long overdue recovery in Belgian property rents and values—particularly in the Brussels office market where some British agents have pointed to a potential shortage of large new air-conditioned office space.

But whatever reason for the continued sluggish performance *of the property market*, the reality of the situation is that rents will have to rise a long way before developers will be attracted back to this market on any grand scale. And there is no sign of this happening yet.

Wereldhave, another major Dutch developer, with property interests in Belgium, said recently in its annual report that office rents in Brussels were able to stage "no more than a limited recovery in 1980" against the background of "prevailing economic conditions and a drop in interest from abroad.

"Rents are still lagging well behind building costs. Rents of BFr 3,000 per square metre is currently considered a favourable level but is still just over half the price needed to make new construction commercially justified, even at present levels of building costs," say Wereld*have*.

However, the Dutch group says that there are some encouraging *signs*: particularly the expansion of the European Economic Community — which has its headquarters in Brussels — which should increase demand for space as new member countries join the EEC.

It says: "A further improvement can be expected in the medium term since the underlying conditions are fundamentally favourable" and that "there can be no doubt that, in time, a sharp increase in rent levels must get underway, which will exceed the rate of inflation."

There can be no doubt that Brussels rents will recover at some stage — the low level of new development and the gradual take-up of space will ensure that. The fundamental question remains the timing of a recovery and this, despite some recent improvement in the supply situation, could be still some time off yet.

Meanwhile, Wereldhave's investment in Belgian property — as a proportion of the group's total investment portfolio — fell from 6 to 5 per cent between 1979 and the end of 1980. Over the same period the proportion of funds invested in the U.S. by Wereldhave rose from 18 per cent to 21 per cent.

The political and economic climate in Belgium must remain a *major deterrent to potential* property investors. Last month Mr. Mark Eyskens was sworn in *to head the country's 31st* government in 36 years. But the difference between this new appointment and many of the previous administrations is that a change of government was forced by the increasing severity of economic problems rather than the traditional "grumbling language war between the country's Dutch speaking Flemish and francophone Waloon communities."

The Organisation for Economic Co-operation and Development (OECD) in its report on the Belgian economy last month described it as being "in pronounced disequilibrium"—or in other words in a mess.

The OECD forecast a further deterioration in economic performance in 1981 with Belgium's gross national product expected to fall by a ½ per cent in real terms following last year's 1.4 per cent growth.

In addition, the OECD forecast that unemployment — currently 9 per cent of the Belgian labour force is out of work—is expected to remain high for several years while the current account deficit is expected to rise from US$5½bn to between $6bn and $7bn.

The OECD blamed much of Belgium's poor economic record in recent years on the country's policy of wage indexation. Earnings levels had not been adjusted to take account of the *deterioration of trade* and the slowdown of productivity. The OECD estimated that since 1973 *Belgians had paid themselves* 15 per cent more than the country's trading and productivity performance *could justify*.

The high cost of wages in Belgium has not helped tenant demand and in the past few years a number of companies, particularly U.S. companies, have either cut back their investment in Belgium or pulled out of the country altogether.

High interest rates and rising inflation are other factors likely to continue to affect tenant and investment attitudes while there have been fears that the Belgians may yet be forced to devalue the franc.

Against this background it seems likely that the investment market in Belgium will remain sluggish for some time yet despite the fact that in cities like Antwerp there is a marked shortage currently of prime industrial properties and the letting market for factories and warehouses in Antwerp has been very strong recently.

In the main office market of Brussels there is still a great deal of debate as to the extent to which the huge over supply of accommodation—a legacy of the early 1970s building boom—has now been absorbed.

A number of British agents operating in Brussels, say that during the past 12 months there have been increasing signs of shortages of top quality large new space. Richard Ellis says: "Rents are beginning to show a tendency to rise with a number of lettings achieved in the region of BFr 3,250 a metre (BFr 300 a sq ft) or more for *upper floors of well located* buildings."

Jones Lang Wootton together *with the Land Use and Planning* Studies Group of the Universitie Catholique of Louvain recently published the best guide yet to office supply and demand in Brussels. This showed that in 1981 there was around 150,000 sq m of new office space available in the city. 286,000 sq m of secondhand or refurbished space with a further 290,000 sq m under construction for completion over the next three years.

Paris supreme despite decentralisation

FRANCE

TERRY GARRETT

THE FRENCH property market appears to have entered a phase of relative inactivity in the last few months. This may well be in reaction to the current presidential election, but after the hectic rise in rent levels over the last year the letting market may just have run out of steam.

The market differs from other European ones in that Paris dominates the picture to a much greater extent than other capitals.

Paris's overriding influence continues despite the efforts by a series of governments to decentralise the office market. The focus point of the Government's policy is DATAR, which is designed to shift office development out of the centre of Paris into the provinces. So the Paris market labours under restrictions on office development permits, increased taxes and reduced plot ratios.

The consequence of the government's action is that supply has been curtailed so dramatically that rental levels have soared. Bernard Thorpe's Paris office estimates that office rentals have increased by some 10 per cent in the last six months and around 15 to 20 per cent since last summer.

Not surprisingly those who have been squeezed out of the central area have been loath to move to the provincial centres far away from Paris and so demand has built up for accommodation on the city's boundaries and nearby new towns.

The shortage of space in Paris is not confined to the office market. There is a scarcity of warehousing and light industrial property around the capital according to agents Richard Ellis.

Rents in the Paris office market have now reached FFr 1,500 per square metre for good prime property. Capital values are in the region of FFr 15,000 to FFr 20,000 per sq m.

The restrictions on supply induced by the government are the main influence on these high figures. This year it looks as if there will be virtually no new development in the inner areas and even the volume or refurbished accommodation is low. Currently there are only a couple of schemes in progress and these are relatively small. Units offering accommodation in the 300 to 400 sq m range are in very short supply.

As this pressure to decentralise mounts it is areas like La Defense which are benefiting. Around 600,000 sq m of office space (equivalent to around 6½m sq ft) is planned to come on stream over the next four years. Rents in La Defense are now around FFr 700 per sq m, though some of the new space just being finished is going in excess of FFr 800—a reflection of the energy saving measures introduced in the newer offices which reduce the service charges.

The new towns around Paris have also picked up some of the overspill from the capital. Offices in Saint-Quentin en Yvelines and Evry are letting quite well but the Cergy-Pontoise market has proved less attractive to tenants.

Not immune

Rent levels in the new towns such as Saint-Quentin are now up to FFr 450 per square metre for quality space. But this is still only a third of the level being charged in the centre of the capital.

On the industrial scene, France is not immune to the recession. Surveys show that the rate of capacity utilisation in industry fell during 1980 to 80.6 per cent in the final quarter. The index of employment in manufacturing industries slipped during the year and unemployment continued to rise with forecasts of a higher jobless figure during 1981.

The French Government did include some provisions in its budget to help revive industrial investment. Companies are to be allowed to offset up to 10 per cent of their capital investment spending against taxable profits for the next five years.

Yet despite the slightly more expansionist policies being adopted by the authorities, demand for industrial accommodation throughout the country as a whole is at a fairly low ebb.

The exceptions are probably Paris and Lyons, where a shortage of space has made for a reasonably buoyant letting market regardless of the pressure on industry.

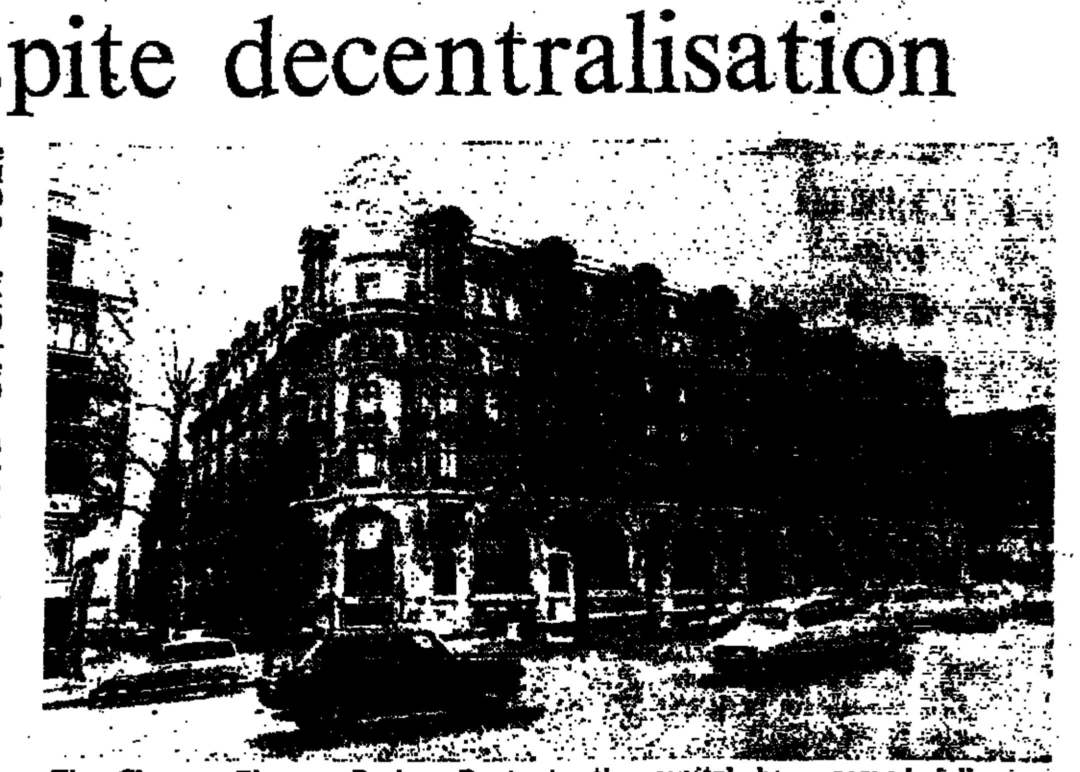
In Paris, Richard Ellis puts the total available stock of industrial space at 300,000 sq m. During this year a further 100,000 sq m of new floorspace is expected to come on to the market, but with an annual take-up in the region of 220,000 sq m demand is pushing up rents.

Industrial property in prime sites around Paris is letting at prices in the region of FFr 200 per sq m. Second-line accommodation, however, can be found for as little as FFr 120 per sq m.

The trends are similar in Lyons. There the stock of industrial accommodation is in the region of 150,000 sq m with a further 50,000 sq m likely to come on stream during 1981. The rate of take up is estimated at 130,000 sq m a year — far in excess of development—and thus rents have responded by rising into high ground. Prime space lets for around FFr 170 per sq m with secondary property going between FFr 100 and FFr 120 per sq m.

The French retail sector rarely sparks much enthusiasm from institutional investors, though there is a rumour going the rounds of the property agents at the moment that one overseas investor has purchased a big provincial shopping precinct.

Overall, of course, the retail sector is far more diverse than the office or industrial markets so it is hard to generalise. Yet demand appears to have held up reasonably well for accommodation in good sites. In Paris, competition can be very stiff for a prime location and rents of up to FFr 8,000 per sq m are not unheard of. Rents in suburban markets are in the area of FFr 1,500 per sq m.



The Champs Elysees, Paris. Rents in the capital have soared following government restrictions on office development permits

Apart from the capital, the prime residential region of France must be the south coast—the Cote d' Azur. Putting aside Monte Carlo, which is a market all on its own, it is hard to find residential appartments in the region stretching from the Italian border to just west of Cannes for anything less than FFr 11,000 per sq m. In Cannes, a sea front apartment can set a buyer back FFr 45,000 a sq m. According to agents Chestertons, capital values shot up by a quarter during the last year.

From the investment point of view, yields on prime office space in Paris have been pushed down to the 5 to 6 per cent mark. Industrial property still returns 9 to 9½ per cent for top line stock or 10 to 11 per cent for secondary accommodation.

Investors in the French property market tend to be domestic institutions. There was an influx of Dutch investment some nine months ago and Middle East oil money is a fairly common source of finance for development. Evidently some UK institutions have recently been looking at the market but there has been little sign of positive action from that quarter yet.

The outcome of the elections is bound to have an impact on the way the property market travels over the next year. If M. Giscard d'Estaing had resisted his challenger, Bernard Thorpe believes that the development market would have got under way and prices and rents would have started to rise again. However, since M. Francois Mitterrand has gained control, the institutions may well sit back and await events.

Stability returns after a period of oversupply

WEST GERMANY

JOHN MOORE

THE WEST GERMAN property market, one of Europe's biggest commercial property markets, continues to recover from the low point of the mid-70s when the over-supply of space depressed rental growth after the 1974-75 collapse. Although there are concerns about the West German economy, stability has returned to its property sector.

A consensus view from estate agents is that West Germany has a diversity of local markets and, in some sectors and areas, shortages of prime space have emerged.

Demand has been high enough for the shortages to drive up rents; and in many areas there is not enough development in progress to prompt any reductions in rental levels.

Yet the economic outlook is not encouraging. The real GNP is expected to remain flat this year. Industrial production in West Germany is slowing down for the first time in many years, although service and high technology industries are set for a period of expansion.

Government spending, particularly on construction and public works, is expected to be curtailed sharply in 1981. But the economy is expected to recover by the end of the year.

Against this background the property market has remained resilient. Demand for offices remained at a high level in the leading cities in 1980, with high technology industries, banks and service industries creating the most demand.

Inevitably, the most prosperous examples of West German office property are found in the established banking area of Frankfurt. There, the prime units have been rented at about DM 30 a sq metre (DM 3 per sq ft) per month.

Demand is outstripping supply and rents have responded to the pressure. According to the agents, Richard Ellis, the current level of rents is also influencing the pattern of demand in Frankfurt outside the banking area, where modern centrally located office accommodation is available for rent which may vary marginally from the offices in the banking area.

In Múnich, there has been pressure on rents created by demand for the best-located office properties. Rents in the central area for prime accommodation rose to DM 25 a sq metre (DM 2.30 a sq ft) per month. These figures compare with rental levels of DM 18 a sq metre obtained four years ago in Munich.

Firm trend

And current monthly rents for small- to medium-sized lettings in prime modern office buildings in the best location have risen to the following levels per sq metre: Munich, up to DM 28; Frankfurt, up to DM 32.50; Dusseldorf, up to DM 30; Hamburg, up to DM 30; and Stuttgart, up to DM 25.

Although rents have risen in the last year-and-a-half to levels beyond those attained during the boom of 1973, in real terms there has not been a complete recovery, but the trend is firm.

Demand for warehousing is gradually gathering momentum and occupiers are finding that they can employ their capital resources better by renting warehouse property instead of making an outright purchase. This trend is likely to occur in the factory sector, according to agents.

A number of industrial estate developments are now strategically placed in relation to the European motorway network, the waterways and rail facilities. Rents per month for prime warehousing accommodation have been as high as DM 7.75 a sq metre in Dusseldorf.

Demand outstrips the level of supply for shopping units sited in prime locations. Chain store operators have been expanding in West Germany and they have been looking for centralised locations with large pedestrian access. Some operators have shown interest in out-of-town shopping centre locations which attract custom because of good parking facilities in a location close to good road communications.

Planning restrictions limiting the development of new regional shopping facilities have also helped to ensure the success of the existing centres. The central area rents for prime shops in Cologne, Munich, Dusseldorf and Hamburg, have reached DM 200 a sq metre (DM 20 a sq ft). Rental levels for out of town locations have been substantially lower at around DM 50-60 a sq metre.

Rents have been sustained, even though in the recession there has been a drop in retail trading volumes and in margins.

While there continues to be a shortage of prime office retail and investment opportunities, demand from local and international investors has remained high.

Most of those properties which have been on offer, good secondary rather than prime property, have found buyers. With a limited supply of prime investments, investors are increasingly showing a willingness to acquire properties of a marginally lower quality. Yields for prime investment property fell marginally in 1980 and are running at around 5 to 5.25 per cent for prime retail; prime offices, 5.25 to 5.75 per cent; and prime warehousing, 7.25 to 8 per cent.

Prospects

As rents have risen, so institutions and other enterprises are reassessing the prospects for property development. Industrial and warehousing development have attracted interest among those prepared to venture new schemes, but there is also some evidence of renewed interest in office development projects in selected locations. New investment has been encouraged by the ready demand and the indications are that demand is remaining firm, despite the recession.

But developers are proceeding with caution. They are influenced partly by the experience of the early 1970s when substantial over-capacity developed in the West German market and led to a sharp downturn.

Outlook clouded by uncertainty

THE NETHERLANDS

MICHAEL CASSELL

[T]HE PROPERTY MARKET in [t]he Netherlands has, quite [p]redictably, begun to reflect [t]he country's disappointing [e]conomic performance.

There is no crisis but neither [c]an it be said that a boom is [j]ust around the corner. The [u]ncertainties surrounding the Dutch economic situation are [c]louding the outlook for the [p]roperty sector.

Shortages of prime property [i]n major centres have helped [m]aintain healthy demand from [i]nvestors and potential [o]ccupiers although the pattern [i]s patchy. Good development [o]pportunities are generally [s]carce, the industrial and ware[h]ousing sectors are facing a [d]ifficult market and the fall in consumer spending is making the going tough for everything but prime shop properties in central locations.

Holland's economic growth rate in 1980 fell substantially with Gross National Product showing a real increase of about ½ per cent. Domestic demand has dropped and the volume of exports has also fallen, pushing up unemployment and running alongside a comparatively modest rate of inflation at about 7 per cent.

The Dutch property market, which has spent the last few years recuperating from the invasion of overseas developers who generally came, conquered and collapsed, has regularly proved itself capable of withstanding the wild fluctuations in fortunes thrust upon it. This time, its underlying strength seems unlikely to desert it.

In Amsterdam, the country's most important property market, events continue to be influenced by a shortage of vacant premises and new developments. But despite the longstanding gap between supply and demand which has helped underpin the local market, it is thought likely that —even here—demand for good quality modern offices could fall as occupiers delay expansion plans and slim existing operations.

Agents like Richard Ellis believe there will still be sufficient space take-up to maintain rents at around existing levels.

Restrictions on new developments and on renovation continue to stifle the supply of fresh space, and most new activity in the region has remained confined to the suburbs.

It is in these areas, such as Diemen, Bijlmermeer, Riekerpolder and Sloterdijk, that most development has been concentrated and it it is here that — despite the short-term outlook — a new office construction boom is considered by some to be on the way.

Forecasts have suggested that at least 5m sq ft of new office accommodation will be added to the City's stock over the next three years or so, a total which compares with a recent average annual take-up of around 1m sq ft and a smaller figure in 1980.

Substantial

The development upsurge has been sparked off by previously strong demand for office space in and around Amsterdam and the increases in rents brought about by acute shortages of central accommodation. The latest economic picture may well tend to push back some plans for new schemes, but it seems that the next phase of development activity will still be fairly substantial.

As much as 80 per cent of the space being proposed over the medium term could be speculative, and there is at least a chance that the traditional shortages of office accommodation in the area could be replaced with a surplus — though not in the inner city.

In Amsterdam itself Ariel, the property investment and development group half-owned by Wimpey Property Holdings, is well on its way to completing a 200,000 sq ft office complex on the Vijzelgracht. Work on the rare City site should be completed later this year.

Work is also underway on the Holendrecht Centre to the south-east of Amsterdam, described as the largest office development to let in Holland. The £55m scheme, for which Jones Lang Wootton are agents, will provide nearly 900,000 sq ft of space when complete. The first two phases of the scheme, carried out by Westland-Utrecht, will be ready for use about a year from now.

Hillen and Roozen are at the same time pursuing a 300,000 sq ft office scheme close to the Holendrecht Centre, while another even larger office project is proposed for the same area. Further developments close to Schipol Airport could provide ½m sq ft of new space.

Elsewhere in Holland, developers of office schemes are being deterred by the oversupply of space and the weak economic prospects, notably in Rotterdam and The Hague. The position in The Hague could be worse if the Government had more actively promoted its decentralisation programme, while the longer-term outlook for Rotterdam's office market must be enhanced by the virtual moratorium on large-scale central area developments in the Randstad area.

The take-up of factory and warehousing space throughout Holland is low, reflecting the general economic picture. But the lull in demand has not—as in some other European countries—coincided with a fresh spate of development schemes. Little fresh space is coming onto the market in the most favoured areas.

According to Richard Ellis, occupiers are preferring to purchase factories and warehouses because of tax advantages rather than rent. This further weakens the rentals market.

The shortage of new schemes is, however, likely to create a significant increase in rents as the manufacturing and distributive sectors emerge from the recession. The view in some quarters is that, when companies resume expansion programmes, they will probably prefer to invest their capital in stocks rather than in property, so a revival in demand for rented accommodation can then be expected.

The retail property sector is under pressure, with shop sales hit by rising unemployment, wage controls and resulting falls in consumer expenditure. Strong competition has also affected margins, and profitability has declined, with the result that high-turnover prime sites have become even more sought after. The rental gap between first class and secondary retail space has widened.

The same gap applies to most types of prime and secondary property in Holland, and is invariably more marked than in some other countries where secondary alternatives still command substantial interest.

The sharp disparity between prime and less attractive space also represents a longstanding characteristic of the property investment market in Holland, created and maintained by the active involvement of domestic and international institutional investors. The market for prime investments remains strong, despite the immediate outlook, and this interest seems likely to further intensify as restrictions on supply begin to bite during any economic recovery.

Given the disappointing prospects for the Dutch economy throughout the rest of 1981, the highly selective approach on premises to rent, on investments and on new development schemes seems set to continue.

Agents expect plenty of growth to come

CANADA

WILLIAM COCHRANE

THE 1981 Canadian real estate market will not be "great," but it most certainly will be "acceptable" at the low end of the probability scale and it easily could reach to "very encouraging" at the top.

This broad assessment, taken from A. E. LePage's exhaustive market survey Canadian Real Estate—1981, has to be seen in the context of the past seven or eight years.

Since 1973, and the quintupling of world oil prices which followed, successive waves of inflation and record interest rates have slowed the construction of new homes and apartments in most parts of Canada, but redevelopment of the city cores has continued with extraordinary gusto.

The oil crisis has shifted some attention from Toronto, now a region with nearly 5m people, towards Calgary and Edmonton, and more recently to Vancouver. Land values in downtown Toronto, in the better suburbs, in Calgary and Edmonton and some smaller Western cities, and in Vancouver have quadrupled in the past seven to eight years. Some of the steepest gains have come in the past eight months.

London agents Richard Ellis reckon that there is plenty of growth still to come. They note two almost conflicting trends: the expected slowdown in population growth and immigration and the likely increase in the rate of exploitation of resources, especially in the provinces west of Ontario and Quebec.

Ellis, however, see Toronto remaining as the principal centre of growth in office accommodation with the total amount of office floorspace there likely to increase by about 50 per cent to a total of more than 100m sq ft over the next decade. They expect corresponding growth rates in other population centres, which would indicate stocks of floorspace at or above 50m sq ft for Montreal, Ottawa, Vancouver and perhaps Calgary before the end of the century.

All this will need funding. But Ellis see substantial growth in the investment market. It happens that the Federal Government and six of the provincial governments (Alberta, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan) regulate the proportion of a pension fund's total assets which can be invested in real property.

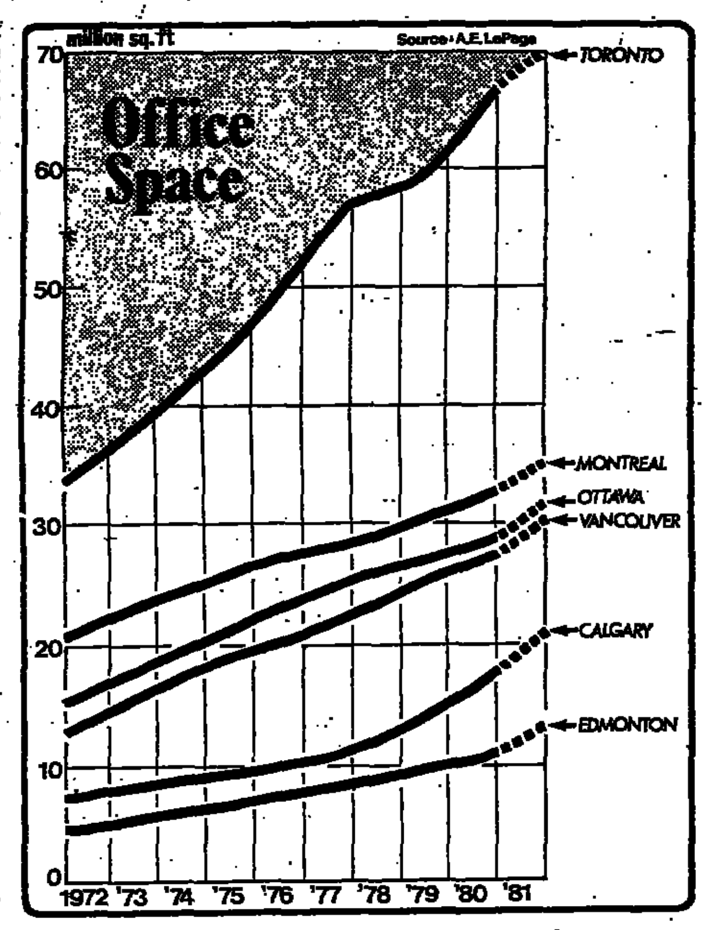
Close interest

However, it is only recently that the funds have been taking a close interest in the property sector as an investment vehicle. So although the total amount of Canadian pension fund investment in real estate now totals about C$800m to S$1bn, some fund managers estimate that the figure will reach about C$20bn within a few years.

In 1981, A. E. LePage saw the possibility of heightened activity "in selected real estate functions":

- "The sale of existing homes will rise, because of a somewhat higher demand plus a generally low inventory of new homes."
- "New city core office building projects will be started because of the growing shortage of top-grade space in the majority of the larger centres."
- "Demands for industrial space will rise as manufacturers gear up for a far stronger economy in the mid eighties and, concurrently, accelerate the replacement of obsolescent plant and equipment."

On retailing, LePage say that the largest amount of new shopping centre space to come on stream in a number of years —some 7.5m sq ft in major projects alone—will be added to the Canadian marketplace in 1981.



LePage note a certain patchiness in the anticipated exceptions from the growth pattern of metropolitan Toronto and Montreal. Toronto's retail base, for example, is relatively quiet "and will remain more comatose than active in 1981."

Richard Ellis see some evidence that the volume of new large regional shopping centres is slowing, with interest shifting towards the redevelopment of established downtown shopping cores and towards the development of smaller suburban and neighbourhood centres geared to the needs of local communities—which, of course, are now less able to afford transport costs for journeys to more remote centres.

In market performance terms, LePage note the dramatic effect on inflation on office rentals with Toronto, in the top spot, showing a rise from under C$10 per sq ft in 1972 to the early C$20s last year. Ellis see an emerging shortage of prime space in Toronto, with a high proportion of developments scheduled for completion in 1981 already let.

Both firms are going for a significant increase in Toronto prime office space rentals this year, Ellis figuring on a rise from about C$24 a sq ft in 1980 to some C$28 a sq ft in 1981.

There have been similar space shortages in Montreal which are also pushing rents upwards. Demand in the main commercial sector of Quebec, until recently, had suffered from 20 years of arguing over the principle of separating Quebec from the rest of Canada; a year ago, no office block had been built in Montreal in five years. Now, the slightly milder face presented by Quebec Premier Mr. Rene Levesque and his recently re-elected Parti Quebecois has transformed the Montreal scene.

Between 5m and 6m sq ft gross of new office space is under construction or actively planned in the central Montreal area, and due on the market by the end of 1983.

Mr. Levesque's proposal to renegotiate Quebec's sovereignty was defeated in a referendum just a shade under a year ago. A. E. LePage's Montreal/Quebec market study group stresses the fact that the investment market improved markedly immediately after the referendum; it expects a steady continuation of this trend in 1981. Ellis concur, saying that Montreal prime office rents are currently reaching about C$20 a sq ft.

Ellis are hearing about even higher figures for Calgary, which has seen boom conditions in recent years and rents as high as C$24 a sq ft. But uncertainties affecting oil markets in North America are deterring those with expansion plans both in Calgary and in Edmonton, where rents are at a comparable level to those in the capital, Ottawa, at about C$17 a sq ft.

Slashed

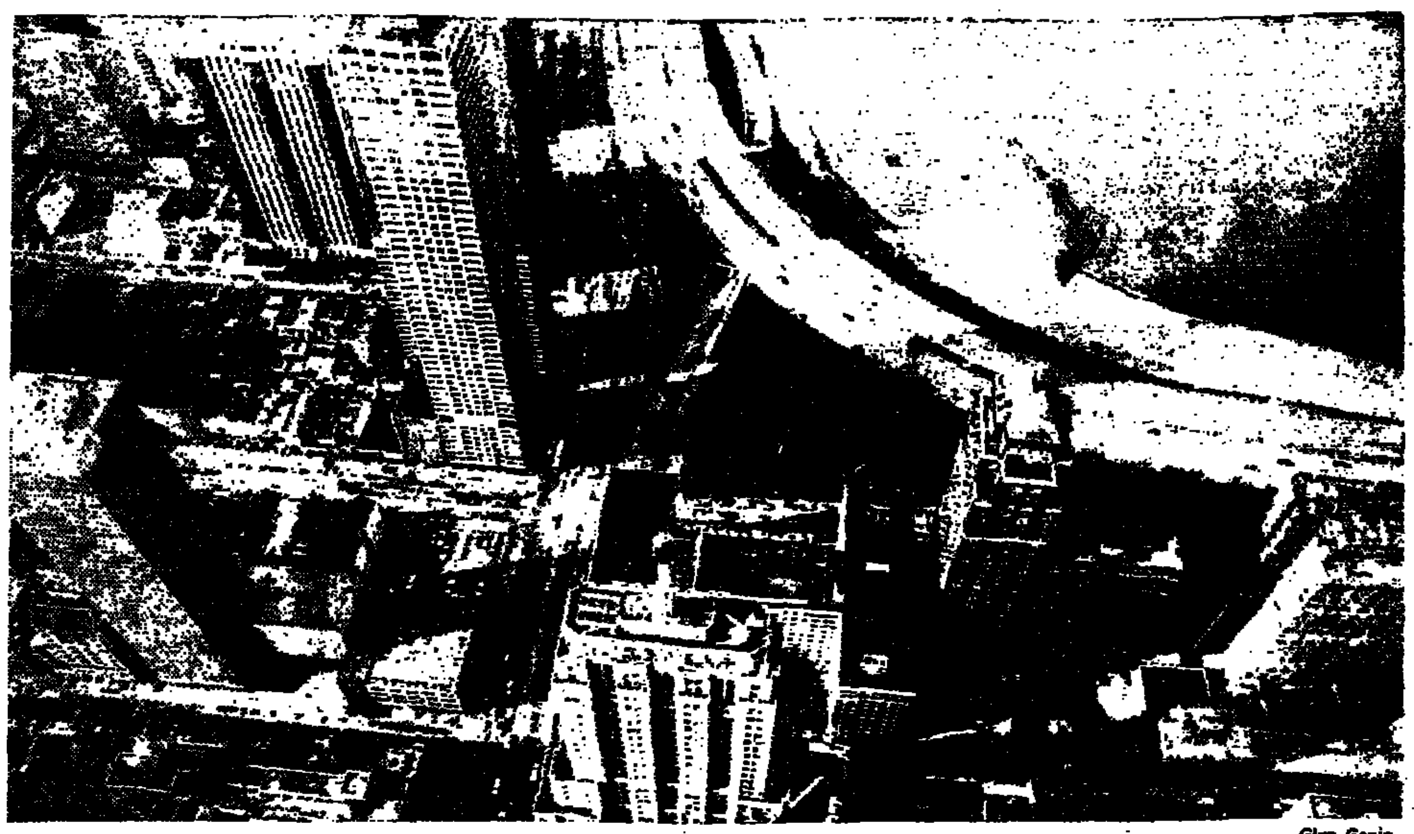
Inflation, which is the focal point of LePage's 1981 survey, has fundamentally changed the terms of financing for property developments in Canada. It follows that if fortunes were made by small and large developers in the post-1973 era, the institutions providing most of the finance via the traditional long-term fixed rate mortgage have seen their returns slashed.

The traditional mortgage was forced to the wall four or five years ago. Now the general mortgage rate is about 16 per cent, and people are not talking about more than five years in term. Institutional lenders apparently require equity participation in an office or shopping centre development— or extend a mortgage loan at, say, 1½ percentage points below the market rate in return for 50 per cent of the net income from the property.

The question is, who is dictating to whom? Canadian developers like Olympia & York, Cadillac Fairview and Daon Development did not come to dominate the North American real estate market without accentuating the positive. As one top developer said in London recently: "We don't want high coupon debt round our necks for the long term: equity, on the other hand, gives us high cash flow and the flexibility to go with it."

مكتبات الأصول

INTERNATIONAL PROPERTY VI



Glyn Genin

The big British firms will eventually have offices in all the U.S. regions. Richard Ellis has already set up in Chicago, which has good connections with other U.S. cities

Market is stronger than national economy

UNITED STATES

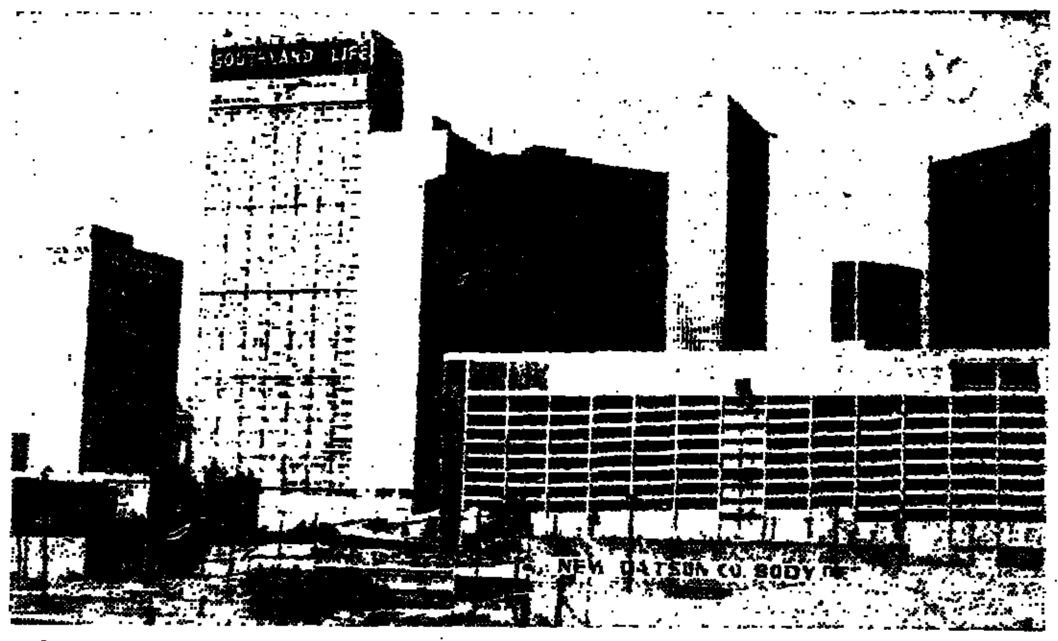
ADAM McKEAN

THE UNITED STATES' property markets have shown a much greater resilience and stability in recent months than the country's economy as a whole. It is not necessary to dig far to find the reason; real estate investment has become an important element in the financial system of the country.

Until America began to suffer the high level of inflation of recent years the cornerstone of its financial system had been the active and sophisticated mortgage market. Developers and investors alike used the mortgage money that was available to finance building and purchase of real estate in all its forms.

These mortgages were at fixed rates and non-recourse in nature—that is, the lender had no charge on the property. These mortgages could be passed on to another buyer and, because all outgoings on real estate, including mortgage repayments, could be off-set against taxes the ownership of property was a very real tax shelter.

Inflation killed the fixed rate mortgage and the lending institutions began to look elsewhere in the world for ideas on how to live with inflation and there is no doubt that they looked hard at the United Kingdom. They appear to have liked what they saw and many of the major institutions of the United States have now begun to swap their role as lenders on real estate to become active owners.



British institutions have been keen to invest in the sun belt and property firms which have centred themselves in New York will soon be considering opening offices in Dallas

Active

Today, the massive life companies and savings and loan associations of America have switched from lending to owning and like British insurance companies, these American institutions are now busily building up the necessary in-house departments to deal with leasing and management of buildings.

The United States pension funds, which are growing even more rapidly than those in Europe, have also become active investors in real estate. Until a few years ago they were barred by Federal law from investing in real estate, but following strong pressure the way was opened for them to diversify their investment and the property medium was quickly seized upon by the fund managers.

These institutional buyers of real estate obviously did not require mortgaged property. As non-taxpayers the tax shelter element of real estate did not apply to them, so the so called "free and clear" real estate market emerged.

Because there remain a great many of the fixed rate mortgages, which were often granted for 25 years, a two tier market has emerged in the American investment field. Generally "free and clear" property commands yields of some two points higher than the leveraged properties, that is those bought with the benefit of an existing mortgage.

Traditionally, the returns on direct ownership of real estate have been higher than could be obtained on bonds or mortgages. It had always been considered a high risk investment because of the danger of losing tenants and having long periods of voids. But because of the vast amount of cash which is now overhanging the prime property investment market there, yields on "free and clear" property have been falling and are expected to fall even further over the next few years.

Currently the average yield on prime offices is standing at around 7 per cent, while the leveraged prime office yield is pitched at around 5 to 6 per cent. The yield on the best regional shopping centres is close to that on prime offices.

It is this far higher return that has made the United States so attractive to the British and other European pension funds. Where in Britain could you buy a shop for 7 per cent? But there are now many real estate experts in the United States who believe that as the pension funds build up their property portfolios— currently only 1 per cent of pension fund moneys are invested in property—yields will fall to much lower levels.

The recent strength of the dollar is unlikely to stem the flow of European money into the United States property markets. Because real estate investment is long term, the short term fluctuations in exchange rates have very little bearing on investment attitudes.

Last December the U.S. Government introduced legislation which subjected foreigners to capital gains tax on real estate investments. The legislation was back-dated to June 1980. Few investors are likely to be deterred by the tax and in any case there appear to be a great many loopholes which will provide ways for foreign owners to escape the tax net.

The comparative cheapness of real estate and the likelihood of sound property investments in America out-performing inflation is likely to prove too tempting to halt determined investors.

Miss Wendy Luscombe, manager of the National Coal Board pension fund in the U.S., says: "The U.S. has a stable political and democratic process, but unlike countries as 'Western' as Canada and Australia, imposes relatively few restrictions on investment by foreigners.

High feelings

"*Currently, however, with the* very large and conspicuous takeovers (of non-real estate and *retailing* concerns by foreigners, the feelings against alien ownership are now running high. It is very likely that in the future foreigners may meet more resistance when investing in the U.S."

But Miss Luscombe added that in spite of the rapid build-up of foreign-owned assets in the U.S., they are still only 25 per cent of the total owned by Americans in other countries. "The Americans, therefore cannot afford to be too xenophobic for fear of retaliation."

As far as British investment in the U.S. goes, there has been an increasing number of estate agents setting up offices there. The original settlers, such as Richard Ellis and Jones Lang Wootton, have been joined by many others; some have chosen to go it alone, while others have joined up with U.S. firms of real estate brokers.

Many other firms are currently investigating the opportunities and the next few months will see new names setting up there. Richard Ellis will open in New York soon, and Jones Lang Wootton will increase the number of its offices later this year.

Eventually the largest firms will have representative offices in all the regions of the U.S. Richard Ellis chose to set up in Chicago, a city which has the enormous advantage of having an airport with more one-stop flights to major American cities than New York or Washington.

But most British agents, led by Jones Lang Wootton, first set up in New York. In most cases these firms have gone to America on the backs of their existing British clients. As New York is the first port of call of most visitors to America, they therefore believed that New York was the best location.

However, much of the investment by British institutions has been going on in the sun belt and those firms who have centred on New York will soon be looking towards opening offices in Houston, Dallas and Los Angeles.

Edward Erdman has joined with the Chicago-based Arthur Rubloff, a firm of real estate brokers established by the legendary Arthur Rubloff, one of Chicago's leading property developers who was responsible for many of the buildings along Chicago's so called "Golden Mile."

Weatherall Green and Smith have set up in Manhattan as have Healey and Baker and Debenham Tewson and Chinnocks. These three firms together with Jones Lang Wooton are offering a comprehensive service to investors. Knight Frank and Rutley have a joint company with Douglas Elliman in New York, with another office in New Jersey.

Hillier Parker May and Rowden has a share with other European firms in Landauer Associates in New York. Gooch and Wagstaff is alone in choosing Denver for its U.S. operation, although others are likely to follow its example.

Richard Ellis has branch offices in Atlanta and San Francisco and is to open one in New York. Its principal office remains in Chicago.

Jones Lang Wooton has two offices in New York, the principal one at 499 Park Avenue and the other in Lower Manhattan where it has already carved itself a major slice of the leasing market. It also has offices at Houston and Los Angeles, the latter headed by Mr. Bob Beeney who has considerable experience in American real estate.

Goddard and Smith has a consultant operating in San Francisco and Pilchers claims to be the only firm of chartered surveyors operating in San Diego. Grant and Partners, headed by Tony Grant, has set up a successful operation in Florida with offices in Miami and Fort Lauderdale.

The list is growing almost weekly and few of the major firms can afford to be out of the United States real estate scene. Soon Michael Laurie and Partners will open up and many other firms already have their men looking carefully at the market.

Business confidence boosts market

AUSTRALIA

ADAM McKEAN

RECENT report from the [Or]ganisation for Economic [Co]-operation and Development [(O]ECD) commented that invest[me]nt prospects in Australia [me]rited a very high rating in [co]mparison with those in other [in]dustrialised countries. Other [au]thoritative analysts have [ex]pressed the view that [Au]stralia is now gearing up for [wh]at might be a decade or more [of] mineral and energy-develop[m]ent led growth.

In line with these opinions, [bu]siness confidence in Australia [is] at the present time buoyant—[a] factor which, when combined [w]ith the favourable view of [in]vestment prospects, augurs [w]ell for the property markets [th]ere.

Essentially, Australia has [ex]perienced a long and slow [re]covery, which has left both [in]flation and unemployment at [hi]gh levels by historic [st]andards. The year-on-year [in]flation rate is likely to be around 9 per cent in 1981. The economic growth rate this year is forecast to be around 4.5 per cent. Consumer spending has already begun to reflect this growth. For example, in December motor vehicle sales reached a five-year high.

But against this economic improvement there is evidence of increases in average weekly earnings and the prospects for a dramatic fall in unemployment seems less certain. There are also signs of a marginal rise in interest rates. The Central Bank discount rate is expected to rise later this year from the current level of 12.2 per cent to 13 per cent. The commercial banks' prime rates are expected to rise from the current levels of 13.5 per cent to 14.25 per cent later this year.

According to an Australian partner of agents Richard Ellis, the property market there is displaying remarkable strength, although it is important to distinguish clearly between the various population centres. While in Sydney the number of new projects planned is already running at record levels, in Perth there are variations between the various sectors of the property market. In Canberra there is a severe shortage of good quality offices, but an over-supply of shopping space.

Jones Lang Wootton, which has nine offices throughout Australia, said in a recent report that there are considerable variations in the property markets from state to state, but the main concentration of activity is invariably concentrated in the capitals.

The central business district of Sydney has always been compact, geographically confined on three sides and curtailed on the south by the central railway station. The entire district is no more than half-a-mile wide and 1½ miles long.

Capital

Within these confines a city has developed, serving as the capital of New South Wales, with a population of 4m. It is the strongest growing business and financial centre in Australia. The total office space in the central business district is around 39m sq ft and there is also a strong retail sector, which maintains its status as the most important single shopping district in the state.

Until 1958 there were no skyscraper buildings in Sydney. The tallest buildings were of brick construction with the tallest only 10 storeys high. In the 1960s and early 1970s demand was so strong for modern offices that a massive development programme began and today Sydney's skyline is that of a modern commercial city.

This boom in office development gave rise to a massive surplus of office space in the mid and late 1970s, and not even the explosive development of the public sector during the Whitlam era could fill all the space available.

However, the situation has been steadily changing over the past two years, so that the surplus of some 2.5m sq ft that was available in 1977 will almost certainly have been fully absorbed by mid-1981 and a shortage is now inevitable. For two or three years there will be an extreme shortage and rents are likely to rise significantly.

The only major development currently under way in central Sydney is the Qantas House scheme, which will be largely occupied by the airline itself when it is completed. No new speculative developments have been started because at current development costs projects are not viable without projecting rent increases so massive as to be totally lacking in credibility until the late 1980s.

With the exception of a few buildings of special merit, rentals throughout much of the 1970s stuck at around A$10 to A$12 a sq ft for the best space while less favoured buildings could only command around $A8 a foot. The exceptions are in the best of the new high rise blocks. For example, in the MCL Centre, a development by Lend Lease Corporation, Australia's largest developer, two floors were let at A$17 a sq ft in 1978, while in 1979 the top floor of the AMP Centre, a development by Australia's largest insurance group, achieved A$17.50 a sq ft at the first rent review in 1979.

Towards the end of 1980, rents of A$18 to A$20 a sq ft were being achieved for the best uppermost floors of the most favoured buildings, with lower floors letting at around A$14 a foot.

Jones Lang Wootton state that fresh development is viable at rents of between A$18 and A$20 a sq ft at current construction costs and allowing for modest inflation, but so far no major buildings have been committed, although the agents say that this is because of the problems of obtaining planning consents and the lack of suitable land in the best locations.

In Perth, Western Australia, there has been a resurgence of development activity, the main thrust of which has been in the central area. Some 30 office buildings are already under construction or planned to start during 1981. The total floor area of these buildings is around 3m sq ft and will mean a 42 per cent increase in the total office space in the central business area of Perth.

By any standards this is a spectacular supply of new offices, especially when it turns out that only 28 per cent of the office space has been pre-let or built for owner occupation. Perth has been described as one huge building site and no fewer than 12 of the buildings are under construction along a ½-mile stretch of St. George's Terrace, between Milligan Street and Barrack Street.

Currently, rents for the limited space now available are pitched between A$11 and A$13 a sq ft and are rising. As little of the new space will be ready for occupation in the city centre until the end of 1981, rents are expected to increase further this year and into 1982, but they are expected to level off after that until some of the new supply has been taken up.

Consistent

A marked increase in confidence has been seen recently in South Australia. This is partly due to the change from Labour to Liberal in the State Government towards the end of 1979 and to the return of the Liberal Government in the recent Federal election.

In the State capital, Adelaide, the demand for offices is slow but consistent, with the Federal and State Governments still leasing relatively small amounts of space in prime offices. In the private sector there is strong demand for small office suites, both in the city and the suburban areas.

Jones Lang set a new rental record in the city with the letting of some 150,000 sq ft of the State Government Insurance Commission building at around A$10 a square foot, a level hitherto only achieved in small suites.

In Melbourne, some 500,000 sq. ft. of offices were let in the central business district during 1980 which included some 100,000 sq. ft. of space which was for the owner-occupier of the Ansett Centre. It is estimated that at the end of 1980 there were some 700,000 sq. ft. of office space available.

However, some 200,000 sq. ft. of this space is currently under offer in the Collins Tower and only some 70,000 sq. ft., or 10 per cent of the total available space, is in buildings located in the tight commercial and legal areas of West Elizabeth Street.

Rents in Melbourne have increased significantly, with whole floors letting at A$12 a square foot while the average rents for good quality space are now pitched between A$9.50 and A$10 a square foot. Even in the St. Kilda Road area, where the huge oversupply has turned into a shortage, peak rents for re-lettings have been at A$9 a square foot.

Under the Foreign Investment Review Act, participation in standing investments by overseas interests is limited to 50 per cent, but despite this control the volume of capital inflow has reached record levels, and there is now much talk of introducing a more stringent policy.

The attraction to foreign investors of real estate is the strength of the investment market, although care has to be taken in the selection of properties in the retail sector. Generally, prime office yields are pitched at around 4.5 per cent. While industrial property in the best location is currently yielding around 8 per cent, shopping centres in the principal cities are yielding 7.5 per cent.

Substantial growth goes against world trend

ASIA

MICHAEL CASSELL

FEW international property markets can have managed so successfully to isolate themselves from the impact of world recession as those in South-East Asia.

Buoyed up by healthy and expanding economies, local property markets have demonstrated a resilience which has at least temporarily deserted many other major commercial centres. For many South-East Asian economies, 1980 was a year of substantial growth—in some cases running into double figures—with the result that property markets in several capital cities enjoyed high rental and capital appreciation, strong demand for space and some very active development programmes.

There were, at the same time, clear indications that the potential for property as an investment medium is rapidly being recognised in those markets where institutional interest has so far been comparatively muted.

The attractions for potential investors are clear, though those from overseas are not guaranteed a universal welcome in all the major investment centres. In a little over one year rents in Singapore effectively doubled while annual rental increases of 65 per cent or more have recently been recorded in Hong Kong.

In Malaysia, the general rise in property prices has already reached the stage where the Government has expressed concern, but there remains a shortage of supply and further increases in rents and values are confidently expected.

Despite such remarkable track records, there is at last a growing feeling, and some evidence, that in certain centres a less volatile period is under way and some of the extraordinary property market performances recently recorded may be giving way to a period of greater stability and fewer surprises.

Nowhere is that belief more widely held than in Hong Kong, resilient at the best of times and now given a further important boost with the revival of the traditional entrepôt trade with mainland China. The colony's status as a financial centre is also rising, bringing in not only space occupiers but a steadily rising inflow of investment funds.

Last year, Hong Kong property markets were generally irrepressible, recording the type of growth which has invariably been achieved year after year in the face of predictions that the pace could not be maintained.

But there are signs that the Colony is being hit, somewhat belatedly, by the impact of the international recession. A combination of external circumstances and a domestic space surplus which is due to replace a chronic shortage are expected to lead to the type of stability which has not been readily associated with Hong Kong property for some time.

Development

Richard Ellis, which operates extensively throughout the South-East Asia region, says that although the property sectors showed a consistently bullish trend through 1980, there is a lot of office and industrial space being developed.

It is expected to be some time before the market can fully absorb the floorspace being made available, and this should help prevent the rapid increases in rents and prices which have occurred over the last two years or so.

According to Ellis, the industrial and warehousing property sectors are suffering as exporters confront slackening demand from traditional customers, while a growing number of industrialists "throw in the towel" and stop the manufacture of mass-produced, low-cost items, which can be turned out more cheaply by competitors.

Ellis says a considerable number of manufacturers have decided it is more rewarding to redevelop their properties rather than produce goods inside them.

As for the current level of commercial property development, Jones Lang Wootton, another UK agent with substantial South East Asian exposure reckons that over the next two years something in the region of 8m sq ft of new office space will reach completion in Hong Kong, equal to about one-third of that in existence.

Not surprisingly, JLW forecasts that the office market will stabilise later this year and into 1982. It comments: "There is a possibility that office rentals and particularly capital values have risen too far too quickly as a result of the strong speculative interest in the market. Until the property under construction is completed, the true economic value will remain unclear. We do not expect extended vacancies in new buildings and we consider any potential short-term oversupply is likely to be reflected in older-style, less-well-serviced building built in the late 1960s."

The performance of the local property market is influenced by the Government, as well as by the normal supply-demand factors. Official policy is to help regulate supply via the release of development land. The Government has pledged itself to increase the supply this year.

In times when the market has appeared weak, the Government has sought to maintain land prices by reducing the supply and there are pressures to accommodate this policy by introducing some form of rent control on commercial property. But despite some intensive lobbying from pressure groups to introduce controls, the authorities have not reacted. It is now regarded as unlikely that extensions of rent control from the residential sector to the commercial property market will be contemplated, a move which would be calculated to have a bad effect on investors' confidence.

Investment funds flowing into Hong Kong continue to rise steadily from a variety of sources, largely based on the potential of developing trade with China and oil exploration in the South China Sea. Property investment is, for the time being at least, not considered on a large scale because of the uncertainties surrounding the renewal of the all-important ground lease for the New Territories.

There seem few such uncertainties for investors in Singapore, which is virtually an open market. The property sector in particular is free from legislative constraint in the context of foreign involvement and real estate is regarded as an important investment medium in an economy which last year recorded a growth rate of more than 10 per cent, and which is setting itself up as a financial centre in competition with Hong Kong.

The property investment markets remain strong and there is a clear indication that the supply of prime properties is very restricted.

Investment in office space remains the most attractive option. The shortage of office accommodation, which has driven up rents by nearly 100 per cent in a year is expected to steadily get worse until 1983, and it could be 1985 before forecast demand can be satisfied.

Further substantial rental and capital value increases are therefore expected, although a high level of demand is for prime office space and many landlords will have to embark on major refurbishment schemes if their buildings are to command top rentals.

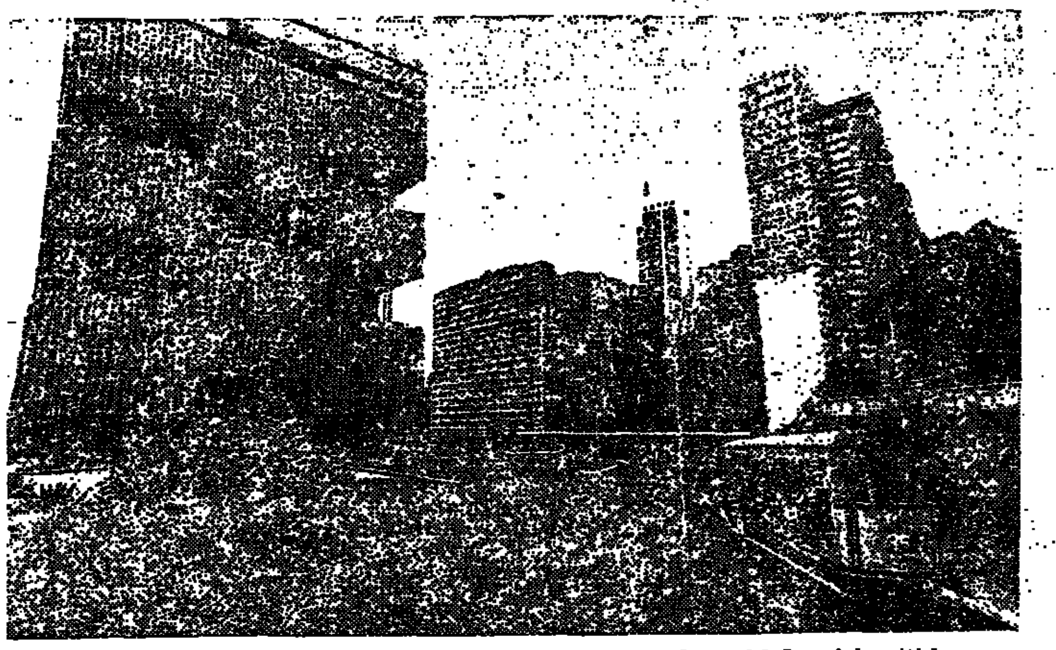
With strong demand and rising rentals in the industrial and retail sectors, general development and construction activity is buoyant. Most development is being undertaken either by property companies or by banks and companies for full or partial owner occupations. The banks are taking a particularly active role in property development, which can be expected to thrive as Singapore's strategic economic plan begins to bite.

In Malaysia, it is the country's potential rather than its current performance which seems likely to attract a growing number of investors to the local property market. Already a cross-section of banks and institutions are exploring the prospects, attracted by the knowledge that rents and capital values are well below international levels and must grow.

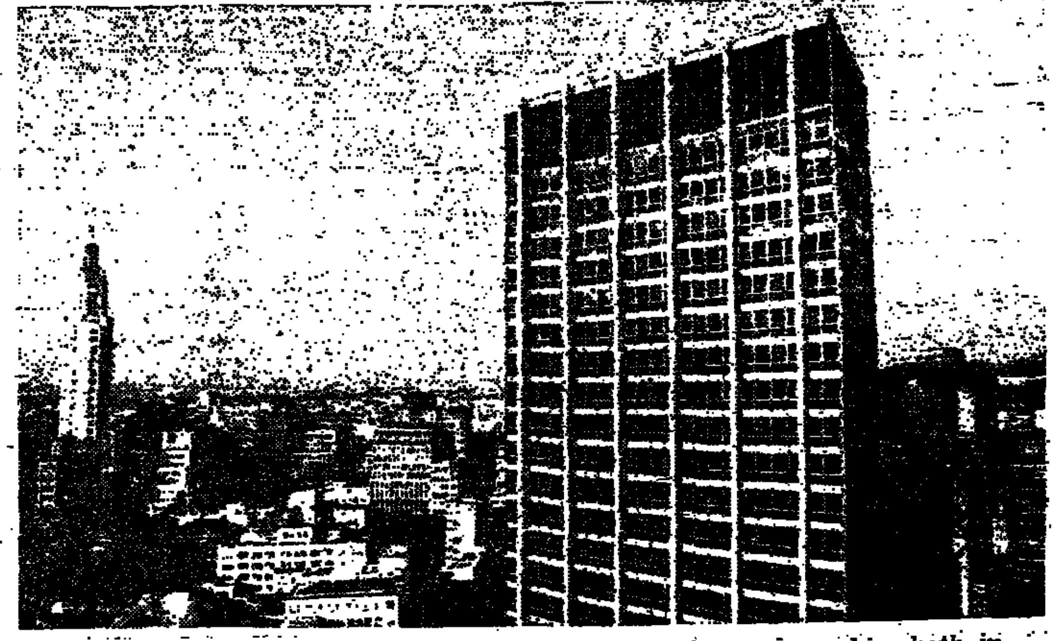
Formidable

The growth of the economy is putting continued pressure on the property and construction sectors, and despite a formidable list of development procedures, activity is aimed at overcoming some widespread supply shortages.

High rental growth is already being achieved for offices in Kuala Lumpur and, with a current severe shortage of space, pre-lettings are common and much of the space coming on stream is accounted for. There is also a shortage of good industrial and warehousing premises, and rents are expected to rise throughout 1981.



Commercial office rentals, though limited in Brazil, could flourish within a year or two's time. Above: one of Rio's commercial office areas



There is a deep-rooted tradition in Brazil for private ownership, both in residential and commercial property sectors. Above: a section of Sao Paulo

Repressed demand in the rentals market

BRAZIL

RIK TURNER

TO THE foreign investor, Brazilian property could seem the ideal place for his resources. The country has a seemingly unending housing shortage caused by population growth of just under 30 per cent a year and a large-scale internal migration to the urban centres. Indeed, the sector has attracted foreign investment in the past, as the presence of companies such as Brascan and Mackenzie Hill shows.

However, there are pitfalls in *the foreigner's path. First,* as Herr Bernd Rieger, ex-director of Mackenzie Hill and now at the local subsidiary of the German land developer Neue Heimat, explained "the market is totally different."

He detailed some of the differences: "There is no long-term investment market. Rentals practically do not exist," which is one of the major reasons why pension funds from abroad have until now been reluctant to come into Brazil, he explained. There is a deep-seated tradition in Brazil for private ownership, both of residential and commercial properties, a trend many experts *attribute picturesquely* to the country's Portuguese origins. Thus the rentals market is still insignificant, "about 80 per cent owned against 20 per cent rented," *according to* Herr Rieger.

On the other hand, many sectorial experts are of the opinion that as salaries, particularly in the middle class, suffer the effects of galloping inflation at an annual rate of 120 per cent, more occupants will seek the rental option.

Prospects

In terms of commercial rentals, Sr. Marjan Fromer of the Consorcio Tecnico construction company believes there is a "repressed demand" in the market, which will flourish in a year or two's time. There is an absence of open office space for large companies, because the construction companies do not have the resources to undertake such projects.

As a result, "the big companies have been obliged to separate their departments into various buildings around the city," explained Sr. Fromer. This is the case with companies such as Du Pont and Monsanto. Sr. Marcelo Lins, communications director for Dow Chemical's local subsidiary, said that although the company centralised its offices into one building some four years ago, *it is already experiencing a lack* of space there, and will eventually move into a larger building.

Sr. Euclides de Oliveira, *director of the Equipe Property* market research company says the demand by large companies for more open office space will begin to be felt two years from now, when the recessive trend in the economy should have worked its way out. This would seem to be borne out by these companies' behaviour, riding out the storm of the reduction in economic activities to begin investing more heavily thereafter.

A further difference which confronts the newcomer to the Brazilian property market is the entrepreneurial structure in the country. In Brazil it is very common for a project to be the *responsibility of an "incorporador,"* a businessman who is not necessarily a builder. He buys the land for an apartment block and frequently sells some or all of the apartments "at the plan level"—before construction has started. Then he contracts builders and when finished, contracts estate agents to sell any remaining apartments.

It is the incorporador's responsibility to see that the *schedule is kept to and that the* final product meets with the specifications agreed upon at the time of sale.

"It is the legal framework for the incorporador's existence which allows for the project which only now is coming into other countries: the condominium," said Herr Rieger.

One of the most important aspects of the property market in Brazil is the participation of *the state. Sr. Oliveira explained* that two markets exist in virtual parallel: "The 'conventional market,' where no state financing is involved, the transaction being totally private; and the housing finance system (SFH), which functions around the governmental national housing bank (BNH). The BNH was set up in 1968 to find solutions to the country's chronic housing shortage in the poorer sectors *of society.*"

Huge demand

The bank uses a massive fund, the guarantee fund for time of service (FGTS), collected from employers and employees, and repasses to the construction sector via a number of financial agents, most of them linked to the country's big financial conglomerates, such as Bradesco or ITAU.

These agents finance the construction and/or the purchase of popular houses, and even some middle class apartments. In addition to FGTS funds from the BNH, the financial agents also maintain savings accounts, which represent an ever more important part of total resources in the system. According to Sr. Oliveira, the FGTS now stands at some Cr$400bn (U.S.$5bn) against Cr$1.2 trillion (million million) in savings accounts.

Brazilian law does not allow foreign-owned companies to benefit from SFH funds at the construction stage.

"This does not of course stop the occupant from using BNH funds when buying the property," said Sr. Ramon Lopes Alvares, director of Lopes estate agents.

This is what guaranteed the viability of Neue Heimat's subsidiary in Brazil, Anchieta. The company specialises in large housing developments for the lower middle class and qualified working class in areas of heavy industrial concentration, thus guaranteeing its customers. The option for this segment of the market was not accidental. Neue Heimat is owned 100 per cent by a group of German unions.

Herr Rieger explained: "With members of Volkswagen unions on the Board, the relationship between Volks and Neue Heimat is more than just financial." Indeed, Anchieta's first three projects are in the immediate vicinity of VW factories: two alongside the main plant at Sao Bernardo in the Sao Paulo industrial belt, and the other at Taubate, near Volkswagen's engine plant, in the state of Sao Paulo. At Taubate, VW is the town's principal employer and already has 1,000 houses — a seventh of the total development — reserved for its employees.

However, as Herr Fromer pointed out, the areas of intense industrial concentration, creating a "working class aristocracy," *are so few* in Brazil that the possibilities of an expansion of products like Anchieta's are limited. He argues that the major investment opportunities remain in the area of middle class apartments, at least as far as *residential properties* are concerned.

The Anchieta projects in Sao Bernardo are the result of one of the first entries into Brazil of foreign pension funds, according to Herr Rieger. Sr. Fromer said that pension funds, major investors in property markets in other countries, have until now been reluctant to come into Brazil due to "the possibility of maxidevaluations of the *cruzeiro and the lack of personnel* in Brazil qualified to deal with the funds' complicated legislation."

But with the advent of projects like Anchieta's Terranove 1 and 2, Herr Rieger sees new possibilities opening up. "The project is a mixture of long-term investment in rentals and short term land development, with a part of the properties being sold off at once and another part designed for rent, so that the investor will be able to participate in the profits made on sales and the rentals, the project is located in a region where employees of the car companies come and go on specialisation courses."

However, there are many snares along the way, as many experts in the sector agree. The Brazilian property market's recent history is full of tales *of foreign companies* who attempted to bring foreign models into the country without success. Mackenzie Hill tried to introduce warehouse leasing into this virgin market for the product, but the market acceptance was zero. Herr Rieger recalls: "The small and medium-size company's director achieves profits via the appreciation of property, becoming himself a small-time property *developer. The optimisation* of financial resources doesn't exist here, they prefer to invest in property."

Then again there is the case of Adela, the international investment agency which ventured into *high-class* tourist developments on the coast between Sao Paulo and Rio de Janeiro. The company was caught by the oil crisis, shortly after the projects got underway, and a media campaign in support of local dwellers which played on Brazilians' natural mistrust of multinationals.

Bernd Rieger candidly admits that at one stage "Terranova 1 ran the risk of becoming a white elephant," because the incomes of the project's target consumers suffered erosion between projection and completion date. The experience at Terranova 1 led to a diversification in the second project. Anchieta even decided to share the risk with a peculiarly Brazilian figure, "the small investor, the chap who buys two or three apartments in a block and rents them out." Basically, Anchieta gave the project several kinds of housing, designed to give a varied profile of earnings.

Opportunity

Sr. Fromer mentioned another area where foreign capital could usefully enter the Brazilian property market: the secondhand apartment market. At the moment, when an occupant wants to move, he must go to an independent broker, who will sell his existing apartment. The possibilities of "marrying" the buying and selling operations are few, as no company has the resources to assume ownership of a property for resale.

Sr. Julio Bogoricin, of the Julio Bogoricin estate agency, mentioned the question of expertise. He says there is room in Brazil for companies which know about standardisa*tion of materials.* Prefabrication is an untapped market in Brazil, so he says, there is much to be done in the "rationalisation" of raw materials and projects to avoid waste.

The last important aspect of the Brazilian market is its concentration into two areas. "Sao Paulo and Rio de Janeiro are responsible for over 80 per cent of all new apartment blocks which come onto the market," says Sr. Oliveira. The population is extremely concentrated, and the middle class even more so, into these large cities, which together house over 20m people — a sixth of the country's population.

Peter Riddell, Economics Correspondent, reports on the latest bid to cut Britain's public expenditure

Whitehall's big spenders face a battle

The Government could soon face some hard choices

THE STAKES are high in the review of public spending plans which has just started in Whitehall. It will be the fifth major search for cuts in the two years since the Tories came to power. The outcome will, according to Mr. Leon Brittan, Chief Secretary to the Treasury, be "the crucial factor" in determining the scope for tax reductions in next year's Budget.

At a political level, the decisions will affect the balance of the Cabinet between the economic team (Sir Geoffrey Howe, Mr. Brittan, Sir Keith Joseph and Mr. John Biffen) and the spending ministers (many of whom like Mr. James Prior, Mr. Peter Walker and Mr. Mark Carlisle are known to be sceptical about the arguments for more cuts). No minister is likely to be spared in the spending review.

Public spending is the only economic question where the Cabinet as a whole has a say and the issue has provided the sole check to the otherwise dominant position of Mrs. Thatcher and the Treasury. Last November, the Treasury's request for cuts of £2bn was halved by the rest of the Cabinet. Ministers collectively do not, however, have any say in tax decisions. Consequently, the Treasury was able to recover its position in the March Budget when, without consultations and to the considerable annoyance of many ministers, taxes were increased sharply.

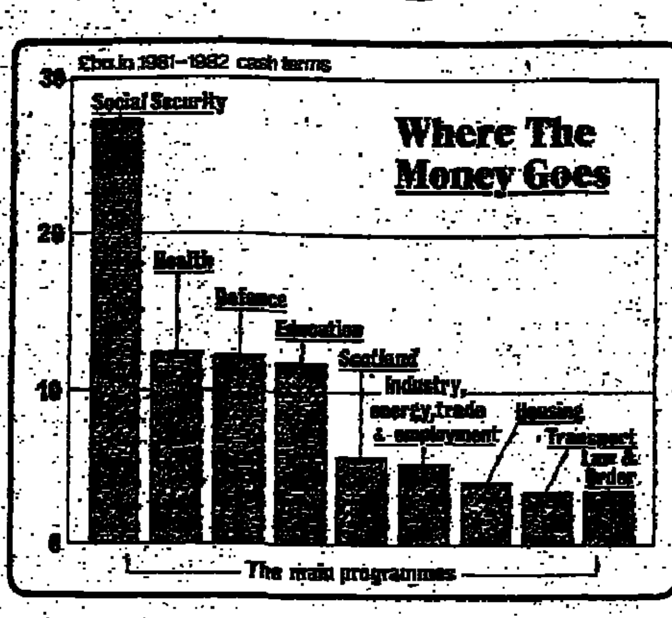
The new spending review is a further round in this contest. At present, officials are drawing up options and the key decisions will not be taken until the autumn. But already the rumblings of battle can be heard in Whitehall. Some spending ministers are protesting that there is no scope for further cuts in their programmes while the Treasury, with the backing of Mrs. Thatcher, is arguing that all Government activities must be examined.

Public spending has proved to be one of the central holes in the Government's economic strategy. The difficulties can be traced to the deep recession (pushing up expenditure on unemployment and social security benefits), increased aid to state-owned industries, high debt interest payments and problems of control over the defence budget and local authorities. All these factors resulted in a £3bn over-run in cash spending above planned levels in 1980-1981.

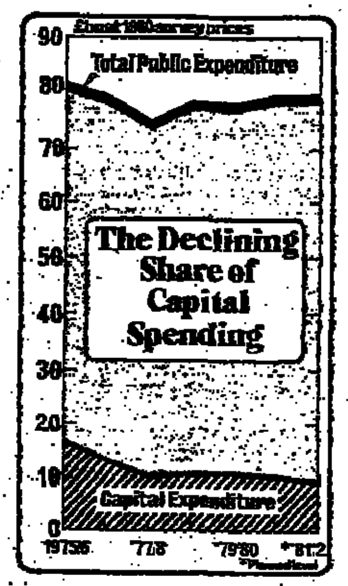
In the current financial year these upward pressures have meant that planned spending is 3½ per cent higher even in inflation-adjusted terms than proposed in March 1980. The result has been both a rise in public sector borrowing and an increase in the burden of personal taxation.

The Government's dilemma has been summed up by the London Business School. Its economists have warned that unless future public spending is reduced below the levels proposed in the expenditure White Paper two months ago there will be no scope for cuts in income tax over the next two or three years.

The problem, as ever, is where to find the cuts. The planned total of spending in the current financial year is £104bn and the accompanying chart shows the main programmes. Mr. Brittan pointed out in the Commons last month that about 60 per cent of total expenditure is accounted for by programmes that are increasing in real terms—social security, health, defence and law and order.



Brana Radovic



Marron Sedger

Consequently, the search for cuts has been concentrated on the remaining two-fifths of expenditure. This means four main programmes—housing, education, support for industry and employment, and finance for nationalised industries. But spending on the last two programmes has increased during the recession.

The result is that the volume of spending in 1981-82—and its share in total national income—is likely to be much higher than during the final two years of the last Labour Government. Mr. Brittan has made a virtue out of necessity and said that ministers have trimmed, rather than used an axe.

Trimming may not now be enough. The easy reductions have already been made in the succession of cuts packages since 1973. It is always less difficult to reduce capital expenditure (future projects) than current spending (jobs and benefits now). As a result, the proportion of capital expenditure in the total has dropped from over 20 per cent in the mid-1970s to less than 12 per cent.

Spending on housing in the current financial year will be only just over half the level of the mid-1970s and the education budget will have dropped by nearly a tenth in real terms. Any further cutbacks will virtually eliminate public sector housebuilding and will probably mean the closure of some universities.

Consequently, the search is likely to turn back to the 60 per cent of expenditure which has been increasing. The current review of defence commitments and equipment shows that this programme is no longer sacrosanct. Social security spending is also likely to be scrutinised closely. It is significant that recent speeches from Treasury ministers have focused on the cost of pensions, and, in particular, on the question of whether those in work can afford an annual uprating in the benefits of the growing number of pensioners fully in line with inflation. Mr. Brittan has noted the Swedish decision to exclude rises in energy prices and indirect taxes from the method of calculating rises in pensions.

None of these decisions is likely to be easy or politically popular. The alternative of increasing public sector charges is also unpalatable because of the consequent boost to inflation. If significant cuts are to be achieved, the Cabinet may have to consider the withdrawal of some services and activities now provided by Government. Ministers are finally having to face up to hard choices about the size and scope of the public sector and the welfare state.

Cash planning changes give the Treasury an advantage

THE TREASURY starts the public spending survey with an important advantage. The rules have been changed by the Cabinet in its favour. The result is that the onus of proof of the case for extra expenditure now rests firmly with the spending departments.

The language of public spending (PESC, survey prices, volume terms, relative price effect and so on) is baffling to many people but these terms are central to an understanding of the way spending decisions are taken and implemented.

Until now, expenditure has been planned in volume terms. This has meant that the Government has decided how many hospitals and schools it wants and this has been expressed in terms of constant survey prices, commonly known as "funny money." It has been assumed that whatever happens to inflation or changes in relative costs the money will be found to meet this target level of services.

The system was first modified in the mid-1970s when cash limits were introduced. These are a means of controlling the amount of money available in the immediate year ahead, after allowing for pay and price increases. Cash limits are fixed on the basis of decisions on the volume of services which have already been taken.

The disadvantage has remained that volume decisions can in theory still be taken in isolation from consideration of the level of public sector borrowing and taxation. In practice, however, these questions have never been far from the Treasury's mind.

The new cash planning system puts the emphasis firmly on actual rather than funny money. Projections are made of likely future inflation, and spending figures are in terms of expected cash outlays then. This makes it easier for ministers to compare actual spending with consequent tax and borrowing needs.

The switch will mean that spending departments can no longer assume a commitment to a particular level or volume of services, regardless of cost. The primary target will be a cash one.

Similarly, any change in relative prices (a faster increase in the cost of tanks or roads than prices generally) will not be accommodated. This is unlike the volume system where changes in relative costs have been built in each year in calculating constant survey prices, creating an upward ratchet effect. There will now be an extra need for tough and realistic negotiations with contractors to avoid cost over-runs.

What will happen is that spending departments will start from the cash limit for the current year and any volume changes for later years proposed in the March White Paper. The Treasury has told departments to take as a working assumption that prices and costs in 1982-83 will be 7 per cent higher than this year — broadly in line with the official forecast. Departments have now been asked to produce options about how and where they would cut spending by 3 per cent and by 5 per cent below this level.

This means that, if the current cash limit is, say, £100m and volume is planned to be unchanged, the base figure will be £107m. After taking account of the requested options the suggested totals will be £103.8m and £101.6m respectively. This can be compared with expected levels of taxation and public borrowing, but it gives no indication of how many hospitals or schools can be built if relative prices and costs change.

Spending departments can, and no doubt will, make a number of objections. They can argue that the overall inflation assumption is too low, that the cost of their particular projects is rising faster than prices generally and that insufficient allowance has been made for needed improvements in services.

The inflation assumption is not split between prices and pay. This is in order to avoid stating a specific pay norm and arousing early opposition to attempts to hold down wage rises next year. A separate pay assumption will have to be made when these planning figures are translated into cash limits in the autumn. It is implicit that the figure will be less than 7 per cent.

The new system, which was strongly resisted by spending departments, will not make decisions any easier. It is likely that manifesto commitments and the political clout of some ministers will mean that the eventual cuts are smaller than the options now being prepared. But cash planning should make the consequences of these decisions clearer—in terms everyone can understand.

Letters to the Editor

Civil service pay

From Mr. P. Brown.

Sir,—We are glad that earlier letters have provoked such a lively correspondence on civil service pay, one of the major political issues of the 1980s.

Several readers have commented on the pay research unit implying that its annual surveys would supply the inevitable comparability linking and a perceived equity with movements in private sector salaries.

Unfortunately, this is not as true as it was when the unit was established in the 1960s. The higher reaches of private sector pay are increasingly composed of off-payroll benefits that are difficult to monitor and the civil service enjoys holiday, pension, car allowance and other perks that are not very apparent on salary comparisons. The major problems, however, with the unit's very painstaking and narrowly accurate reports are that they do not provide a true comparison with the whole private sector, blue chip and high paying specialist employers predominating with approximately 20 per cent of the "private" samples being made up by jobs in nationalised industries, Government research establishments and education etc; and secondly that the time lag between data collection, analysis, publication and the use of the findings in the formulation of civil service union pay claims is too long. The still-born report of last November was based on early 1980 data, salary inflation at 20 per cent plus, and would not have reflected private sector reality if used as a negotiating base in early 1981. I realise that civil servants can lose as well as gain from this time lag, when for instance private settlements accelerate, and it is essential that the new directions to the pay research unit ensure a faster service.

Peter M. Brown,
Reward Regional Surveys,
1 Mill Street,
Stone, Staffs.

The wealth creators

From Mr. W. Goode

Sir,—Mr. Brookes (May 11) responds to my letter by ignoring the message which I would summarise as "surely a reasonable pay policy can only be based on the comparison of like with like," by riding away on a red herring which I had provided in my last paragraph.

Since the creation of "wealth," however, and a definition of that term is fundamental, perhaps progress towards a common understanding of the concepts would help towards solving the pay discrepancies. Mr. Brookes seems to confuse productive activity (a term I did not use) with the creation of wealth.

Wealth is closely related to "added value," as described in COI's booklet "Britain's Industrial economy" (1981 edition), from which I quote a part in table below.

Of course the public sector does create wealth but, this table confirms, not to anything like the extent of the private sector. By and large wealth creators are grouped in the private and spenders in the public sectors, which is why people think as I do. This is a matter of fact, as the figures show, not of emotion-based opinion.

W. A. Goode.
84, Abbots Road,
Abbots Langley,
Herts.

Table 3—Gross domestic product 1979

	%
Goods	
Agriculture, forestry and fishing	2.3
Mining and quarrying including N. Sea oil and gas	
—(£5.1bn)	4.7
Manufacturing	27.6
Construction	6.2
Gas, electricity and water	2.9
Services	5.8
Transport	2.6
Communication	10.4
Distribution	4.3
Insurance, banking, finance and business services	5.9
Housing	13.5
Other services (holidays, catering, cinemas etc.)	
Public sector	7.1
Administration and defence	6.7
Health and education	

The chance to retire

From Mr. F. Johnson

Sir,—On the subject of possible cuts in Government expenditure Mr. Chaplin writes (May 8) 'Public servants are hanging on to their jobs like limpets.' From my vantage point as a principal in the Department of Industry I can assure him that they are not. There are many thousands of us, in our late 50s, sadly disillusioned after 40 years' service who would gladly depart if given the opportunity. Indeed, I have just heard of a colleague who decided to quit on his 58th birthday although he will receive no pension for two years.

There is no doubt that quite dramatic reductions in both staff numbers and payroll costs could be achieved if the civil service were to operate as does much of the private sector, by offering long-serving staff the chance to retire before reaching the normal pensionable age for the job.

There would be an initial financial penalty for the Government because of the lump sums which would be payable. There would be great (but unquantifiable) benefits, however, in that much dead wood would be removed and, where a vacated post had to be filled, the new incumbent would be younger and more enthusiastic than the person departing.

If industry finds this sort of service worthwhile, why should not the civil service do likewise?

F. R. Johnson,
38 Tunstall Road,
Stockton-on-Tees,
Cleveland.

The pensions time bomb

From Mr. A. Sherman.

Sir,—Samuel Brittan, usually the mildest-tempered, best-mannered, most open-minded and professionally ethical person, seems to have mislaid these virtues (Lombard, May 11) because I dared question his beloved panacea — indexation. His long review of my pamphlet tells the reader virtually nothing either of its contents or its circumstances. (It responds to the Scott report's cavalier treatment of the Centre for Policy Studies evidence). Then his insinuations: "Mr. Sherman has been propagandising Thatcherite politicians against indexation for the past seven years. . . ." What a sinister picture that conjures up! In fact, as Mr. Brittan knows very well, I work very much in the light of day. I have long been arguing against the indexation panacea through any medium to hand, including a pamphlet, three national newspapers of late, and a one-day seminar attended by no Thatcherite (shadow) Ministers apart from the then chairman of the CPS, but by several leading journalists, including one from the Financial Times, in the vain hope of gaining there a fair presentation for my views. (*A propos*, my views gained powerful reinforcement from a lecture by Gordon Pepper at the recent National Association of Pension Funds conference.)

I argue that it is misleading to compare civil service pension contributions with "top-quality private-sector schemes," which can be afforded only by quasi-monopolistic privileged giants with ex-Minister and ex-civil servants on their boards, a practice Mr. Brittan approves of. The point in contention is the difference between the notional deduction used in civil service pay negotiations and the real cost of their pensions to the hard-pressed and generally less-privileged taxpayer. With the real rate of return on capital much lower and the rate of inflation much higher than the Government Actuary's highly optimistic forecast, the civil servants' unrequited gain at public expense can equal something of the order of half their salary, or more. Is this social justice?

Government issue of indexed bonds to private occupational pension funds is a snare and a delusion. Were bonds with a positive interest rate sold at par—when OAPs queue up to buy indexed bonds at nil rate of interest—a heavy and unmeasurable risk would be thrown *on tax-payers' shoulders*. This would create another privileged category—at very high cost—thereby increasing the load on the residual working population and private sector, to a point where the whole economy could falter. We are, after all, talking of funds with £100bn for whom indexed bonds with a positive real rate of interest—talk has been of 2 per cent—would compare well with many present alternative opportunities. Moreover, it would entail an extension of subsidised state entrepreneurship, to the detriment of private providers, and at cost to the public.

Conversely, were the indexed bonds auctioned so that the price reflected inflationary expectations, the pension scheme, with its long-term obligation, would be obliged to front-load all its uncertainty, by guessing, decades ahead, future inflation and market interest rates, in order to compare the real yield with alternative investment opportunities. The arguments against expanding state-enterprise remain valid here, too.

Rates of inflation and real return on capital are a function of a vast number of dependent and independent variables, including political and psychological changes at home and abroad, weather, Sino-Soviet relations, new inventions and innovation, and a vast number of other changes which Mr. Brittan and the Government Actuary are no better fitted to predict than those who shaped our brave new world in the late 1940s and early 1950s—and those pundits who cheered them on—were capable of foreseeing the condition they would have landed us in by the 1980s. It is therefore impossible to gauge the cost of pension-indexation.

In the light of this, my proposed solution is therefore to buy out civil servants' existing pension rights, pay them their salaries in full, and allow them to provide for their old age (standard state pension apart) like the rest of us, as they will, through personal or group pension schemes, or in any other way.

Alfred Sherman,
10 Gerald Road, SW1.

Prolonging illusions

From Mr. P. O'Brien.

Sir,—I must thank Prof. Wynne Godley for replying (May 11) to my letter. While I take his point about his "specific" proposals I do not feel he has answered my questions about practicalities.

I suspect Prof. Godley's true objective is to reduce unemployment—a political rather than an economic aspiration—in which case he should tackle the cause rather than the effect. Ever since the war we have suffered from an overheated labour market with the cracks being papered over with immigrants. In the 1950s expectations were conditioned by the 1930s and 4 per cent or 5 per cent wage increases were acceptable. Today, after the long mismanagement of our economy on allegedly Keynesian principles, even civil servants expect inflation proof pensions and strike for 15 per cent when their wages have risen 50 per cent in the last two years. There is no economic answer to inflated expectations.

All true economists should agitate for sound policies—stable currencies, sensible and efficient taxes raised to pay for Government rather than as means of achieving political objectives, efficient markets (especially labour), intelligent land, housing and population policies, limitation of non-productive work, elimination of subsidies, etc. to improve the market.

Mrs. Thatcher has taken the first small, hesitant step to bring expectations in line with reality. Prof. Godley does not even address the problem. Indeed, he is trying to prolong the illusions which are destroying us.

P. O'Brien.
51 Harpesford Avenue,
Virginia Water, Surrey.

Today's Events

GENERAL

UK: Lord Carrington, Foreign Secretary, addresses charity dinner, Western Club, Glasgow.

Corporation of the City of London luncheon in honour of Dr. Willa Liamann, President of Ghana.

Hospital electricians ballot result.

Christie's auction artistic estate of Charles Tunnicliffe, London.

Auction of titles for 18 Lords of Manor, Moot Hall, Colchester.

Overseas: Mr. Donald Regan, U.S. Treasury Secretary, talks with Herr Hans Matthoeffer, West German Finance Minister, in Kronberg, at beginning of Mr. Regan's foreign tour which includes Saudi Arabia, Kuwait, the United Arab Emirates and interim committee meeting of the International Monetary Fund, Gabon.

Annual three-day meeting of Bilderberg Conference, a gathering of influential politicians, businessmen and scholars from western countries, opens in Buergenstock, Switzerland.

PARLIAMENTARY BUSINESS

House of Commons: Private members' Bills.

House of Lords: Food and Drugs (Amendment) Bill, second reading. Indecent Displays (Control) Bill, second reading.

COMPANY MEETINGS

Cunder International, Guildhall, Winchester, 3. Walter Duncan and Goodricke, 5 High Timber Street, EC, 2.30. FC Finance, Great Eastern Hotel, EC, 12. High Gosforth Park, Newcastle upon Tyne, 12. Metal Closures Group, Bromford Lane, West Bromwich, 11.30. Nu-Swift Industries, Hotel Piccadilly, Manchester, 12. Sharna Ware, Midland Hotel, Manchester, 12.30. George Spencer, Wimbourne House, Bar Lane, Basford, Nottingham, 12. Thomas Tilling, 103 New Oxford Street, WC, 12. Yorkshire Chemicals, Kirkstall Road, Leeds, 12.

COMPANY RESULTS

Final dividends: Berec Group. John Crowther Group. Garnar Booth. Hoveringham Group. Macdonald Martin Distilleries. Newman Industries. Nineteen Twenty-Eight Investment. Interim dividends: M. J. Gleeson Contractors. Grand Metropolitan. Interim figures: Crystalate Holdings.

Royal Ins. marginally higher in first quarter

A MARGINAL increase in pre-tax profits over the first quarter of 1981 is reported by Royal Insurance from £25.5m to £26.7m. Underwriting losses worsened from £11.7m to £18.3m, with investment income rising from £33.6m to £40.6m.

But the investment income has benefited from the use of the £116m raised from the recent rights issue, which added just under £3m to the figure for the first quarter. This means a drop of around £1.7m in the underlying pre-tax profits compared with the first quarter of 1980.

A higher tax charge resulted in net profits in the first quarter dropping from £14.4m to £13.9m, with the earnings per share declining nearly 20 per cent from 9.6p to 7.8p.

Worldwide general premium income rose from £320.7m to £344.1m, the underlying growth allowing for changes in exchange rates being 11.5 per cent. Similarly the underlying growth rate in investment income allowing for the income on the rights issue proceeds and exchange rate fluctuations was 16 per cent.

Underwriting losses in the U.S. were slightly higher in the quarter at £8.8m against £8m, in contrast to the general trend of much higher losses. The operating ratio at 105.2 per cent was unchanged from the first quarter of 1980. The claims ratio rose from 74.5 per cent to 75.2 per cent, but this was offset by the expense ratio declining from 30.7 per cent to 30 per cent.

On personal business in the U.S., the underwriting loss on motor was at a similar level to last year, but losses rose on the homeowners business. On commercial lines, improvements in workers' compensation and motor were offset by worse results in general liability and property business.

In contrast, the results in Canada were very poor with the underwriting losses doubling to £11m in the quarter with an operating ratio of 128.5 per cent.

The company reports that there were, at last, some signs that the market was beginning to be concerned that much business, particularly personal lines, was seriously underpriced. But so far there has been no alleviation in the adverse trading environment.

The company, the leading insurer in Canada, put up its rates on personal lines at the beginning of the year by between 15 and 20 per cent and another round of increases is likely in mid-year.

Trading conditions continued to be favourable in the UK and the underwriting profit was doubled to £6m on a premium growth of 20 per cent. All major lines, apart from general liability showed better results.

The continued favourable weather conditions helped results in motor and property accounts, the motor account recording a marginal profit arising from claims numbers down by 7½ per cent and the benefits of the 16 per cent rate increase last October beginning to come through. The commercial property account benefited from the reduced numbers of large fire losses.

Trading conditions also remained difficult in Australia with an increased underwriting loss from poor results in property, motor and workers' compensation. A satisfactory level of profit was maintained in the Netherlands, with another good contribution from the motor account.

Elsewhere the company reports very little change from the difficult conditions seen last year and higher losses overall for the quarter.

See Lex, Back Page

Wm. Leech in loss at half year

A FALL of almost one third in turnover and the costs of setting up new leisure parks activities have plunged **William Leech**, housebuilder and developer, to a pre-tax loss of £156,000 in the six months to February 28, compared with a profit for the corresponding period of £1.54m.

Mr. J. R. Adamson, chairman, says that in the 18 months to December last the building industry went through the most traumatic period in recent memory, but the succeeding four months have brought an increase in reservations for new homes.

The directors are confident that there is great scope for increased demand in the industry, he adds, and are paying an interim dividend of 3.3p net—the same as for each of the two interims and final for the preceding 18-month period.

First-half turnover fell from £31.97m to £21.43m and the loss was struck after finance charges of £1.97m (£1.43m). After tax of £212,000 (same) the loss per 20p share is shown as 2.45p (8.87p earnings).

Profits before tax for the 18 months to the end of August last were £3.55m, compared with £2.34m for the previous year.

The property investment and dealing division performed well, states the chairman, and justified the board's view that it would act as a buffer when the inevitable downturn in housing transpired.

● comment

An interim loss from highly geared North East-based housebuilders **William Leech** was hardly a surprise and moved the shares yesterday down 7p lower to 99p. The fall might have been greater but for the decision to pay an uncovered dividend and brave words from the chairman on an upturn in the housing market since February. The company says its private housing sales are 50 per cent up on the first four months of last year and margins have been improved by a 5 per cent price rise. But Leech has a long way to go in strengthening the balance sheet by reducing its current 118 per cent capital gearing and proving that its underperformance in the housebuilding sector over the past two years was due to its heavy dependence on its traditional catchment area which has now however, been virtually halved. The shares are propped by a large land bank which is well in excess of its end-August, 1980, book value of some £14m. An historic yield of around 10 per cent provides some measure of additional short-term support.

R. CARTWRIGHT

At the annual general meeting of R. Cartwright (Holdings), manufacturer of door and window furniture Mr. J. C. Northam, chairman, said he expected current year results to show a slight improvement over those of last year, when pre-tax profits totalled £185,094.

Jefferson Smurfit calls for £15.7m: profits dip

Jefferson Smurfit, the Irish paper, printing and packaging group, has reported a slight decline in 1980-81 profits to IR£17.4m and launched a £15.7m rights issue of 9.2m shares on the basis of one new share at £1.70 a share for every six held on May 6.

The company has maintained the final dividend at 6.4p per share making an unchanged total of 9.2p for the year and the directors undertake to maintain the dividend this year on the enlarged share capital.

The 1980-81 results reflect a decline in volume and profitability in the UK and Ireland. At the pre-tax level, Ireland operations contributed £7m (£10.1m) and the UK −£1.3m (£6.8m). The big increase in the U.S. contribution from £3.9m to £12.5m reflected *excellent results* from Alton Packaging in its first year under Smurfit management control and a turnaround at Smurfit Industries. Nigeria moved from a loss of £263,000 to a £983,000 profit and Australia's contribution was £255,000 (£172,000).

Earnings per share fell from 20.9p to 17.9p.

Assets grew to £1.63 per share from £1.28 and net borrowings as a percentage of shareholders' funds and Government grants were 23 per cent compared to 19.3 per cent.

No profit forecast is offered in respect of 1981-82 and the directors say they are more optimistic about the medium-term than the short term. In many sectors of the business, there has been little improvement to date in the extremely difficult trading conditions experienced in the past year.

Although the first quarter results of Alton show a gain on the comparable period of 1980, the effects of the difficult business climate in the UK and Ireland will be reflected in the group's overall results for the six months to July 31, 1981.

Since the last rights issue in June, 1979, the group has invested more than I£44m on fixed assets and acquisitions, including US$27.5m to raise its interest in Alton from 27 per cent to 80 per cent.

Under its agreement with Alton, Smurfit is required to make an offer for an additional 16¼ per cent of the shares this year, which would cost a minimum of $9m. The group is also proposing to invest $55m in a new coal-fired boiler and turbine plant at Alton's kraft linerboard mill in Jacksonville, Florida. In view of these factors, Smurfit announced last month that it is considering bringing forward its obligation to buy all the Alton shares it does not already hold.

Dealings in the shares in the rights issue will begin on May 18 and the last day for acceptances is June 8. The issue has been underwritten by The Investment Bank of Ireland and Morgan Grenfell. Brokers to the issue are Dudgeon and Rowe and Pitman.

The rights price of £1.70 was based on the closing price in Dublin on Wednesday of £2.16. Adjusting for the 6.4p final dividend, the discount is about 19 per cent. In London the shares dropped 7p yesterday to 157p.

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DIVIDENDS ANNOUNCED

	Current payment	Date at payment	Corre-sponding div.	Total for year	Total last year
Atlas Electric	2.3	June 19	2.1	3.3	3
Bank of Ireland	14‖	July 13	11.5	22	19
Brit. Borneo	8	July 1	6.25	12.15	9.5§
Comfort Hotels	0.4	—	0.37	0.6	0.55
Copydex	1	June 29	2	1	3
Davenports ....int.	1.16	July 2	1.1	—	3.9
J. Folkes Hefo	0.9	Aug. 6	1.26	1.4	1.76
Holyrood Rubber	30	June 25	28	45	42
Jefferson Smurfit	6.44	June 30	6.44	9.25	9.25
Kuala Selangor	9	June 25	8	13.5	12
William Leach ....int.	3.3	July 20	3.3	—	9.9‡
Lee Cooper	1.69	July 6	1.69*	2.74	2.74*
Modern Engineers	2	July 13	2	3	3
Norvic Shoes	Nil	—	0.8	Nil	1.2
William Press ...2nd int.	0.78¶	Aug. 3	0.6	1.38	1.2
Serck ....int.	Nil	—	1.2	—	3.4
Sungei Bahru Rbr. ...int.	0.75	June 23	0.75	—	2.35
Trust Union	1.55	—	1.5	3.05	2.7
Usher-Walker	2.78	*July 3*	2.78	4.07	4.06
Utd. Scientific ....int.	2.5	—	2*	—	5*
Unochrome Ind. ....int.	0.25	June 29	0.25	—	0.65
John Williams ....int.	0.5	—	1.1	—	2.85

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 18 months. § Excluding 7.25p special payment. ¶ In lieu of final. ‖ Irish pence. ¶ includes 3.5p 2nd interim.

Davenports Brewery

Turnover of **Davenports Brewery Holdings** for the half year to April 4, 1981, rose slightly from £13.24m to £13.66m. Pre-tax profit showed an increase from £586,000 to £617,000.

The interim payment per 25p share is up at 1.155p (1.1p) and stated earnings per share came out at 3.61p (3.43p). Attributable profits emerged at £293,000 (£278,000).

Interest charges were lower from £161,000 to £129,000 and tax took £321,000 (£305,000).

Pre-tax profit for the year ending in 1980 was £985,000, on turnover of £24.48m.

British Borneo falls to £1.1m

Pre-tax profit of the **British Borneo Petroleum Syndicate** for the year to the end of March 1981 fell from £1.59m to £1.1m.

After tax the figure for this investment holding and dealing company was £719,544 (£1.02m including special dividends of £439,021).

A final dividend of 8p (6.25p) per 10p share is to be paid making a total of 12.15p (9.5p excluding special payments of 7.25p) for the year. The earnings per share are stated at 16p (22.8p).

BUSINESS COMPUTERS

The latest entry to the Unlisted Securities Market, **Business Computers (Systems)**, made a strong debut yesterday.

Placed last week at 85p a share, initial dealings were at 105p and the price advanced to 114p on the day.

Jobbers reported steady demand in a thin market.

The company supplies a range of mini- and micro-computer systems.

LAING PROPS.

Trustees of the Laing family trusts and certain Laing charitable settlements and Eskmuir yesterday sold their rights to subscribe for about £4m convertible unsecured loan stock 2000/2005. The stock was placed through the market with institutional investors by de Zoete and Bevan.

The trustees intend to take up the balance of their rights amounting to about £2.8m stock.

Bank of Ireland CCA downturn

Bank of Ireland's accounts for the year to March 31, 1981, have been prepared on a current cost basis and show pre-tax profits down from Ir£17m to £12.8m.

The directors express the opinion that it is not enough to draw attention to the need to adjust for inflaion and then continue to prepare accounts on an historical cost basis. They have, therefore, elected to implement CCA and provide historic cost information only to enable users of the accounts to ascertain historic cost profits.

Current cost accounts, they say, give a true and fair reflection of the bank's results having allowed for the impact of price changes during the year on the funds needed to continue existing business and to maintain its real operating capability.

The CCA operating profit declined from £19.1m to £17.2m. However, as the current cost convention has not yet been adopted for tax purposes, the tax charge has been computed on an historic cost basis. It takes £14.1m (£10.6m), leaving a CCA net loss of £1.3m (£6.4m profit).

When account is taken of a £6.8m (£3m) gearing adjustment, arising from borrowed funds, the attributable balance for the 12 months amounted to £5.4m (£9m).

The directors point out that the effect of inflation on the results has been significant. CCA is recognising this will assist management in restoring profitability to acceptable levels, they state.

For this reason and also because of the strong capital and reserve position of the group the directors are recommending an increase in dividend which comes near to compensating for the fall in the value of money.

Accordingly, the dividend total is stepped up from 19p to 22p net, with a second interim of 3.5p and a final of 10.5p.

Earnings per £1 capital stock on a CCA basis were 12.4p (20.8p) and historically they totalled 88.5p (72.4p). The historic pre-tax profit was ahead from £42.2m to £52.7m.

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CATTLE'S HLDGS.

Mr. Roy Waudby, chairman of **Cattle's (Holdings)**, financial services insurance concern, told members at the annual meeting that overall there were signs of a quick return to profitability in the current year, at least at the level achieved in 1979-80.

He added, however, that the group was budgeting "for results considerably better than that."

Pre-tax profits for the nine months ended December 31, 1980, were £235,000 (£974,000 for previous year), after a loss of £285,000 (£529,000 profit) in the first six months.

TRANMERE FORGE

A winding-up order made on April 13 against Tranmere Forge, caravan park operator, has been rescinded by Mr. Justice Dillon in the Companies Court.

Counsel for the company said arrangements had been made to pay the debt of £809 to the petitioning creditor, the Inland Revenue, and all costs of the Official Receiver.

Croda chief on prospects

If the first quarter's trading is any guide to the outcome for 1981, any improvement in profitability this year at **Croda International** is likely to be modest, says Sir Frederick Wood, the chairman of this chemical processing group, in his annual statement.

"Our vigorous belt-tightening economy campaign as well as the recent reorganisation will help us to flourish in the years ahead. Furthermore, the continuation of our capital expenditure programme should also safeguard our future prospects," he states.

Pre-tax profits for 1980 slumped from £15.18m to £7.44m, on slightly higher external sales of £275.8m, against £270.12m—as reported April 15.

At the year end, ordinary shareholders' funds had risen marginally from £92.31m to £92.77m, while net current assets amounted to £53.62m (£55.05m).

G. W. Townend and Co. are not offering themselves for reappointment as joint auditors, but Price Waterhouse and Co. are willing to continue as sole auditors.

Meeting, Harefield, Middlesex, June 11, 11.15 am.

Lee Cooper dives to £6.55m

A STRONG pound and sharply higher interest charges severely affected 1980 profits of **Lee Cooper Group**, manufacturer and distributor of men's and ladies' jeans and casual wear.

Despite a rise in turnover from £69.96m to £73.05m trading profits dived from £10.3m to £8.45m and pre-tax profits by £2.67m to £6.55m.

At midyear taxable profits were marginally lower at £4.32m, compared with £4.45m, and a similar pattern was expected in the second six months.

Looking ahead the directors say 1981 will not be easy but barring unforeseen circumstances they are confident that the year will show an acceptable improvement over 1980.

The dividend for the past year is being effectively maintained at 1.7375p net with a final of 1.6875p.

The surplus was struck after interest charges, up from £1.08m to £1.9m; but was subject to tax of £3.81m against £4.14m.

Stated earnings per fully paid 25p ordinary share emerged much lower at 16.39p (31.44p adjusted).

The net balance came through at £2.54m (£4.88m) after minorities of £198,000 (£200,000) but before extraordinary debits of £2.37m (£881,000). At the attributable level profits were £168,000 (£4m).

On a CCA basis taxable profits after interest and a positive gearing adjustment of £461,000 were reduced to £5.3m.

Commenting on the past year the directors say considering all the circumstances they are not dissatisfied with the results.

They say that apart from difficult trading conditions, especially in the UK, the strong pound severely affected the figures, explaining that if the 1979 results were restated at the 1980 rates of exchange they would show turnover had increased from £60m to £73m but profits down from £7.78m to £6.55m.

The directors say that the group's European subsidiaries continue to make progress and that the UK company has returned to profitability.

● comment

Last year was the first setback Lee Cooper has had in a long time and there were three clear reasons for it. With 90 per cent of its business abroad, the company was hit badly by the strength of sterling, forfeiting £2.3m above the line in exchange translation losses. Interest charges, meanwhile, soared 76 per cent because of heavy slow-moving stocks. Finally, the group says it had a management problem and did not take action quickly enough when the recession struck. The UK division made a loss of more than £1m, also hurtful. But this loss has now been eliminated and the group is hoping to bounce back before long. At 170p, down 15p yesterday, the shares yield just 2.3 per cent and trade on a fully taxed p/e of 8.9.

SPAIN

May 14	Price %	+ or −
Banco Bilbao	309	+3
Banco Central	358	
Banco Exterior	282	
Banco Hispano	292	+3
Banco Ind. Cat.	123	
Banco Santander	338	+3
Banco Urquijo	188	+2
Banco Vizcaya	328	
Banco Zaragoza	218	
Dragados	161	+3
Espanola Zinc	75	
Fecsa	73.7	+7.7
Gal. Preciados	39	+1
Hidrola	72	−0.7
Iberduero	59	+0.3
Petroleos	107.5	+0.5
Petroliber	88	
Sogefisa	79	−2
Telefonica	63.5	
Union Elect.	70	

Serck plunges by £1m

AS PREDICTED Serck has had a poor first half with taxable profits plunging from £1.2m to £215,000. Turnover for the six months to March 31, 1981, fell back by £1m to £51.6m.

The chairman says that as he foreshadowed in his last annual review and again at the AGM in February, conditions of the group's business in the UK and Western Europe remained uniformly depressed.

However, he says the group has continued its programme of reorganisation so that it will be *in a position to derive maximum* advantage from the upturn in demand when it arrives. Although there are no consistent signs of revival yet, the chairman believes that the decline has been halted.

He says against this difficult background the directors consider the results for the first half to be satisfactory. They expect the incidence of contract completions and seasonal factors to combine to produce an improvement in the second six months.

Meanwhile, they are omitting the interim dividend having decided to defer the dividend policy for 1981 until the results for the full year are known. Last year an interim of 1.2p net was followed by a final of 2.2p from taxable profits of 3.02m.

The pre-tax surplus for the first half was struck after interest charges of £1.3m (£1.5m).

● comment

Serck has responded to the bleakness of its first half trading by passing the interim dividend. In doing so, it seems to have *given the market a mild surprise*. On Wednesday, the shares closed at 43p, and the historic yield of 11.3 per cent was very much in line with other engineering companies in comparable difficulties. Opinion now seems to favour a final dividend of 1p, which would be given reasonable cover by full year pre-tax profits of say, £1¼m. On yesterday's price of 40p, those projections indicate a yield of about 3½ per cent and a fully-taxed p/e ratio of almost 24. The overhanging Rockwell stake of 29.7 per cent will make it hard for the shares to withstand further short and possibly medium term weakness.

UK COMPANY NEWS

Folkes Hefo well down after engineering loss

A TURNROUND of £2.6m to near £1m losses in the engineering division has left the taxable surplus of John Folkes Hefo well down from £3.88m to £1.35m for 1980, the group's overall result for the second half being a £49,000 deficit against a £2.17m profit.

Turnover also showed a downturn, from £74.4m to £70.28m, and the dividend has been cut to 1.4p (1.76p) net per 5p share with a reduced final payment of 0.9p (1.26p).

The directors state that although conditions in the current year cannot be expected to be better than in 1980 they feel that actions taken will put the group in a good position to benefit from economic recovery.

Pre-tax figure for the year — which was struck after depreciation £1.29m (£1.36m), redundancy and rationalisation £291,000 (nil), and interest £1.15m (£871,000)—was divisionally split as to: industrial property £1.48m (£1.21m); engineering £995,000 loss (£1.62m profit); merchanting £583,000 (£500,000); and housing £283,000 (£551,000).

The attributable balance emerged at £1.2m compared with £3.27m, after a tax credit of £271,000 (£349,000 charge), and an extraordinary debit of £419,000 (£264,000). Dividends will absorb £668,000 (£849,000) leaving £536,000 (£2.42m) to be taken to reserves.

On a CCA basis surplus was turned into a £12,000 loss.

● comment

John Folkes Hefo tumbled into loss in the second half of 1980 and is likely to remain in the red in the first half of this year. All the problems were on the engineering side where three companies were sold, two closed and three rationalised. The division lost £1¼m in the second half and shed more than a fifth of the group's total work force. The financing cost of building up stocks during the steel strike —borrowings jumped to £14m at one point before receding to £3m at the year end—took away most of the benefit from this operation, and the subsequent collapse of steel prices forced a significant write-down of stocks. Raw material stocks were down to £7.1m at the end of 1980 from £12.8m at the beginning of the year. The steel and engineering businesses remain in loss and the open-die forging operations have just returned to profitability in the second quarter. The group hopes that a second half recovery will enable 1981 profits to match last year's. At 20½p, down 1½p, the yield on the 20 per cent lower dividend is a little over 10 per cent. The market capitalisation is about £9.5m.

£1m setback at Comfort Hotels

A NEAR £1m fall from £2.56m to £1.57m in pre-tax profits is reported by Comfort Hotels International for the year to December 29, 1980. Turnover rose, however, from £18.5m to £21.42m.

Mr. H. J. Edwards, the chairman, considers the results satisfactory after taking into account the continuous burden of high rates of interest and the strength of sterling. He says that, in the present economic climate, new acquisitions will take longer to reach profitability than originally projected.

The level of business in the closing stages of the year, particularly in the Netherlands, proved disappointing. However, a management contract for the Memphis Hotel in Amsterdam was obtained from June 1, 1980.

The establishment of associate hotels in different, strategic parts of the UK is continuing to progress and these now number six, he says.

Trading conditions in the current year remain far from easy and the outcome for 1981 depends on the degree that bookings secured for the summer months materialise. The interest stimulated by the Royal Wedding in July gives ground for cautious optimism.

Trading profit for the year was down from £3.84m to £3.48m. Interest charges rose from £1.27m to £1.91m. After tax considerably lower at £69,925 compared with £634,564, stated earnings per 10p share are down from 3.88p to 2.93p.

The final dividend is raised from 0.365p to 0.4p for a total of 0.6p (0.545p), absorbing £309,833 (£271,552).

Extraordinary items took £122,664 against £1.32m, and after minorities of £6,036 (£723), attributable profits come out at £1.39m (£610,304).

On a CCA basis, the pre-tax profit was £1.53m.

● comment

At the trading level Comfort is weathering the recession rather better than most hotel groups despite its heavy dependence on earnings in the capital. The group has benefited from tourists switching down market and occupancy rates have been maintained by expanding the percentage of business customers. Strikes, its fast food chain, turned in an improved performance yet, while Dayvilles icecream only broke even, the group is confident of a better contribution now that the switch from franchise stores to selling ice cream through retail majors has been completed. The one cloud on the horizon remains its Dutch operation which incurred a small loss due to a combination of falling demand and heavy interest charges, neither of which factors appear to have eased this year. At the pre-tax level earnings have been predictably clobbered by high debt servicing costs with income gearing rising from 33 per cent to nearly 55 per cent. The year has started reasonably well and every percentage point drop in interest rates cuts charges by £110,000 so recovery may be swift. The shares strong ahead of the results, eased 1p to 23p despite the 10 per cent rise in dividend. The yield of 3.7 per cent reflects Comfort's strength relative to the sector's luxury hotels which have been harder hit by falling numbers of tourists.

Setback for Modern Engineers

Turnover of Modern Engineers of Bristol (Holdings) rose from £8.76m to £9.18m for 1980, but pre-tax profits fell from £358,375 to £119,330.

Second-half figures show that the group, which works mainly in structural engineering, made a loss of £11,058 compared with a profit of £136,612.

In the interim report Mr. J. O. Adler, the chairman, said the outlook for the rest of the year was bleak, but he expected that the second half would be profitable.

The final dividend on a 25p ordinary share is the same at 2p which repeats the total for the year at 3p. Earnings per share are 20.45p (8.03p).

Tax went from a charge of £117,559 to a credit of £494,197. The current cost pre-tax figure was a £154,315 loss.

Copydex falls but sees upturn

DESPITE higher turnover of £5.04m against £4.58m, 1980 pre-tax profits of Copydex, manufacturer of adhesives, diy products and floor covering accessories, plunged from £369,000 to £15,000.

However, the directors state that improved results in the final quarter have continued into the current year and they are proposing to pay a single dividend for 1980 of 1p net—the interim was omitted. In 1979 a total of 3p was paid.

There was a tax credit this time of £77,600, compared with a charge of the same amount for the previous year.

John Williams plunges to £0.68m reverse

Turnover of John Williams of Cardiff fell from £13.37m to £9.64m for the half year to March 30, 1981, plunging the group to a pre-tax loss of £681,000, against profits last time of £325,000.

In view of the group's poor performance, the directors have declared a reduced interim dividend of 0.5p, compared with 1.1p previously.

Mr. H. E. Williams, chairman, says the group's financial base remains strong but does not envisage any upturn in the next few months.

He says the steps already taken should bring about a reduction in the scale of the losses but the end-of-year results will inevitably be very disappointing.

The loss per share emerged at 7.99p, compared with earnings last time of 1.83p, after a tax credit of £62,000 (debit £169,000). The loss attributable to shareholders was £66,500, compared with profits of £28,150.

William Press lifts payout

William Press and Son, mechanical engineering contractor, has declared a second interim dividend of 0.78p in lieu of a final, lifting the net total for 1980 to 1.38p against 1.2p for the previous year.

The dividend has been declared ahead of the year's results, which will be announced on May 28.

Under a scheme of arrangement expected to become effective tomorrow, the company will become a wholly-owned subsidiary of William Press Group. Dealings in the new ordinary shares of the group should commence on Monday.

Utd. Scientific ahead and raises interim

THE FIRST six months trading for United Scientific Holdings saw pre-tax profits rise from £2.55m to £2.64m, for the period ending March 31, 1981.

Turnover for this supplier of optical, scientific and technical equipment was reduced from £17.71m to £16.59m.

The interim dividend on a 25p ordinary share has been effectively raised to 2.5p (2p). The attributable profit stands at £1.57m (£1.36m).

According to Mr. J. D. Robertshaw, the chairman, the forward order book remains at the same level of £33m as reported in February. Further business is in an advanced stage of negotiation and he considers that the year end results should prove satisfactory.

Pre-tax surplus for the 1979-80 year was £5.27m (£4.05m).

● comment

Increasing tension in the Middle East and the election of Ronald Reagan are both favourable factors in the profits growth of United Scientific, which thrives on heavy military equipment spending. So far the company has done quite well, producing an impressive record since the late 1970s. In the first half of the current year USH scored an 11.4 per cent pre-tax rise; it could end the year with a similar rate, which implies annual profits of just below £6m pre-tax. The company has a healthy order book and an even healthier balance-sheet. It has been profiting largely from overseas defence sales which account for 70 per cent of the business. At 408p, up 15p yesterday, the fully taxed earnings multiple is a prospective 28, and can only be justified by the paucity of small "defence" stocks on the London market.

Reduced demand puts RCF in red

A DETERIORATION in demand has resulted in RCF Holdings reporting a pre-tax loss of £454,000 in the six months to January 31, 1981. The group had profits of £123,000 in the corresponding period of the previous year. Turnover of this hand tool manufacturer fell from £9.36m to £7.89m. The interim dividend is again being passed—no payments were made for the whole of the previous year.

Mr. C. R. Gray, the chairman, told the annual meeting in December that although sales in October had shown some improvement, demand had subsequently deteriorated further. Now, he says, this reduction in demand in all the group's activities continued throughout the half-year.

Sales of the group's UK operations were 13.8 per cent down on the preceding six months, and 17.6 per cent below those for the corresponding period of 1979-80. While the high level of sterling impeded export activities, it aided competitive import penetrations. At the same time, he adds, destocking by customers continued at all levels.

Since last July the UK workforce has been reduced by 227, representing over 20 per cent. In the same period, group stocks have been reduced by over £500,000. The increase in borrowings in the first half was contained to £250,000.

There was a trading loss of £221,000 (£384,000 profit), and manufacturing's share was £217,000 (£249,000 profit). Interest charges were little changed at £236,000 (£267,000).

After a tax provision of £33,000 (£61,000), minorities of £8,000 (same) and extraordinary debits of £6,000 (£10,000), the net loss was £501,000 against profits of £44,000. There was a loss per 25p share of 6.04p (earnings 0.62p).

Commenting on the severe trading conditions, Mr. Gray says slow-moving stocks in the UK manufacturing operations have not been sufficiently written-down. He says more stringent procedures will be introduced and this will result in a significant write-down in the book value. This will be reflected in the accounts for the full year.

Preliminary estimates indicate that the write-down (which will involve a book loss and not a cash outflow) is likely to be around £550,000.

RESULTS AND ACCOUNTS IN BRIEF

USHER-WALKER (printing ink and roller manufacturer)—Results for 1980: final dividend 2.78p (2.7837p) per 10p share, making 4.07p (4.0864); turnover £7.76m (£6.41m); pre-tax profit £338,177 (£294,449) after interest £23,361 (£10,717); tax £34,289 (£109,517); minorities £3,309 credit (£2,091 credit); extraordinary item £4,690 credit (£87,006 credit); retained balance £271,778 (£184,107); stated earnings per share 16.62p (8.63p); CCA pre-tax profit £57,100.

HOLYROOD RUBBER (Malaysian rubber and oil palm producer ultimately held by Harrisons and Crosfield)—Final dividend for 1980 30p net, making 45p (42p). Turnover £470,598 (£502,032). Profit £129,518 (£148,980) before tax £42,518 (£62,039). Stated earnings per £1 share 100.98p (100.91p).

KUALA SELANGOR RUBBER (Malaysian rubber and oil palm producer ultimately held by Harrisons and Crosfield)—Final dividend for 1980 9p, making 13.5p (12p), turnover £579,970 (£634,354), profit £310,469 (£298,025), before tax £167,198 (£164,032), earnings per 10p share 18.49p (17.03p).

FARNELL ELECTRONICS (manufacturer and distributor of electronic equipment)—Results for the year to January 31, 1981, reported on April 29, 1981. Fixed assets £3.3m (£3.11m); net current assets £14.32m (£12.68m). Historical pre-tax profits of £6.62m (£5.12m) reduced to £5.64m (£4.31m) on a CCA basis. Chairman says current year is expected to remain difficult but he is confident of achieving further progress, albeit at a more modest rate than that of the past few years. Meeting, Leeds, June 10, 1 pm.

LAUGHTON AND SONS (manufacturer of desk aids, ladies' accessories, jewellery and hair care products)—Results for 1980 reported May 5. Shareholders' funds £8.45m (£5.34m), fixed assets £4.65m (£2.63m), net current assets £5.08m (£4.47m), long-term loans £16,442 (£37,412), overdraft £153,903 (£234,057). Chairman expects considerable expansion in sales of hair-care goods. Meeting, Birmingham, June 9, at noon.

DAVIES AND NEWMAN (Dan-Air operator, ship broker and shipping agent).—Results for 1980 reported May 1. Shareholders' funds £16.45m (£12.35m); fleet assets £30.21m (£13.83m); net current liabilities £382,000 (£2.83m assets) including deposits, bank balances and cash £4.14m (£4.25m) and creditors £24.3m (£19.67m); external finance £14.73m (£5.04m); decrease in working capital £3.44m (£2.51m). Meeting: Great Eastern Hotel, EC, June 4, noon.

HUNTLEIGH GROUP (precision engineer and electronic products manufacturer)—Results for 1980, reported April 24. Shareholders' funds £7.37m (£4.49m), fixed assets £4.39m (£1.9m), net current assets £4.17m (£1.92m), bank and cash £544,502 (£132,328), overdrafts £914,404 (£1.76m), loan £2m (nil). Chairman expects a sluggish performance in the first half of the current year but an upturn in the second half. Meeting, Howard Hotel, WC, June 10 at noon.

DARES ESTATES (builder, property holder)—Results for 1980, reported April 25 with prospects. Properties and ground rents £5.42m (£3.28m), fixed assets £297,157 (£255,394), net current assets £2.79m (£2.14m). Meeting, Birmingham, June 5, noon.

W. H. SMITH AND SON (HOLDINGS) —Results for year to January 31, 1981, reported April 22. Shareholders' funds £95.49m (£90.86m), fixed assets £94.12m (£84.72m), net current assets £12.39m (£18.87m), loans £5.71m (£5.91m), overdrafts £532,000 (£517,000), bank balances and cash £5.3m (£5.99m). Meeting, International Press Centre, EC, June 11, 11.30 am.

Charles Hill reduces its losses

A REDUCTION in pre-tax losses from £184,875 to £122,790 is reported by Charles Hill of Bristol for 1980. Turnover rose from £12.75m to £14.12m. Once again no dividend is being paid —the last payment was 2p in 1978.

First half losses of this holding company with interests in civil engineering, building and property development, ship repairing, shipping and transportation, were £265,000 compared with a loss of £6,000.

There was a tax credit of £91,485 (£37,678), leaving an attributable loss of £28,421 (£114,700) after an extraordinary debit of £6,713 (credit £26,065) and minorities of £11,597 (£6,432).

The loss per £1 share is stated as 2.8p (13.1p). On a CCA basis, the pre-tax loss was £289,000.

Consolidated Foods listing completed

ARRANGEMENTS HAVE been completed for the listing in London today of shares in Consolidated Foods, the U.S. producer of processed foods and beverages. This will be the first listing of the company's shares outside the U.S., but arrangements are in hand for a listing in Amsterdam next week.

Last year, Consolidated Foods, which has 65 per cent of Douwe Egberts, the Dutch-based international leader in coffee, tea and tobacco products, earned $128m or $4.12 a share on sales of $5.3bn.

Mr. John H. Bryan, chairman and chief executive, said yesterday that he was "comfortable" with analysts' predictions that earnings would rise to $4.65 a share in fiscal 1981.

In its recently reported third quarter of fiscal 1981, Consolidated Foods earned $31.7m or $1.06 a share, making the 20th successive peak in quarterly earnings.

Mr. Bryan was confident that the group will achieve a further peak in fiscal 1982, although he commented that "currencies are the only problem."

The company makes about 25 per cent of its profits from outside the U.S. with Western Europe playing a major role. Douwe Egbert, whose acquisition has been largely responsible for the rise in group beverage profits from $9.9m pre-tax in 1977 to $96.6m pre-tax last year, should show a further increase this year, although foreign earnings in dollar terms will be reduced by currency translation factors.

Chairman's Comments at the Annual General Meeting

At the 136th Annual General Meeting of the Royal Insurance Company Limited held on Thursday, 14th May in Liverpool, the Chairman, Mr. D. Meinertzhagen, made the following comments additional to his statement circulated with the Annual Report and Accounts.

1980 was a difficult year, there being in many countries that combination of abundant capacity and less business available which inevitably makes trading conditions adverse for insurers. This was particularly true of Canada and Australia where industry-wide results show a growing trend, as in our experience, for underwriting losses to exceed investment income. As a consequence, we are striving to influence these markets to achieve the overdue increases in premium rates that are required. The United States and Other Overseas produced significantly higher underwriting losses than in 1979 but it is pleasing to report that both the United Kingdom and the Netherlands again came in with very good results.

The deterioration in the underwriting results was to a considerable extent offset by a buoyant performance in investment income. At £146.3m it represents an underlying growth in local currency terms of 17.3%. There was also a significant improvement of 30% in the contribution of profits from our long-term insurance business.

The overall trading profit of £122.2m, representing a return on capital and free reserves of almost 22%, is not an unsatisfactory result bearing in mind the difficult operating environment. We are able to recommend an increase in the dividend for the year of 11.6% to 24.0p per unit of stock. The recommended dividend is in line with the forecast made at the time of the rights issue in December 1980, whilst the forecast pre-tax profit figure of £120m was bettered.

In 1981, we believe that conditions are likely to be equally difficult. However, thereafter we can start to look for some improvement as countries begin to pull out of recession at a time when certain weaker insurance companies, and even more so certain reinsurance companies, begin to withdraw capacity as they are hit by severe underwriting losses.

In the review of operations accompanying my statement, we have outlined the changes being made to our corporate structure and strategic policies to maintain in the 1980's the consistent objective of maximising the return to stockholders. The plans to achieve this will begin to take effect in 1981 and will be fully implemented from 1982 onwards.

The Report and Accounts were adopted and the other formal business was duly transacted. The proceedings terminated with a vote of thanks to the Directors, Management, Staff and Agents.

Estimated Results for the three months ended 31st March 1981

The results for the first quarter are set out below; these should not be taken as necessarily providing a reliable indication of the outcome for the year as a whole.

	3 months to 31 Mar. 1981	3 months to 31 Mar. 1980	Year 1980
	£m	£m	£m
General Insurance:			
Premiums written	344.1	320.7	1,241.7
Underwriting Result:			
USA	-8.8	-8.0	-16.0
Elsewhere	-9.5	-3.7	-24.3
Total	-18.3	-11.7	-40.3
Investment Income	40.6	33.6	146.3
Long-term insurance profits	2.8	2.2	10.0
Share of Associated Companies' profits	1.6	1.4	6.2
Profit before taxation	26.7	25.5	122.2
Less Taxation	12.6	10.8	50.4
Minority interests	0.2	0.3	0.9
Net profit attributable to the Company	13.9	14.4	70.9
(pence per unit)	(7.8p)	(9.6p)	(47.1p)
The operating ratios for the USA on the UK basis are:-			
Claims as % of earned premiums	75.2	74.5	69.0
Expenses as % of written premiums	30.0	30.7	33.4
Operating ratio	105.2	105.2	102.4

Exchange Rates
In the above figures, foreign currency has been translated according to our normal practice at approximately the average rates of exchange ruling during the period. The principal rates were:-

USA	$2.30	$2.25	$2.33
Canada	$2.75	$2.62	$2.72
Netherlands	Fls5.26	Fls4.41	Fls4.63
Australia	$1.97	$2.04	$2.04

The effect of changes in exchange rates in the comparison of the first quarter results was to depress the profit before taxation by £0.7m; the underwriting result benefited by £0.6m, but the investment income was adversely affected by £1.3m.

Comments on the first quarter's results

The results for the first quarter of 1981 show that there was a profit before taxation of £26.7m, a slight increase on the figure of £25.5m for the same period last year.

Investment income rose by 21% to £40.6m. Excluding the income from the investment of the proceeds of the rights issue, and allowing for the effects of movements of exchange rates, the underlying increase was around 16%. Long-term insurance profits increased from £2.2m to £2.8m but the underwriting result deteriorated from a loss of £11.7m to £18.3m.

In the United States there was a small increase in the underwriting loss to £8.8m with the operating ratio of 105.2% being the same as that in the first quarter of 1980. In personal business there was an underwriting loss on motor at a similar level to last year; in homeowners, however, there was an increased loss. In commercial lines, improvements in workers' compensation and motor were offset by worse results in general liability and property business.

In the United Kingdom an increased underwriting profit was achieved, all major lines apart from general liability showing improved results. The continuation of the generally favourable weather conditions helped results in the motor and property accounts. Our important commercial property account also benefited from a lower incidence of large fire losses.

In Canada there was a sharply increased underwriting loss. Although there are at last some signs that the market is beginning to be concerned that much business, especially personal lines, is seriously under-priced there has so far been no alleviation in the adverse trading environment.

Trading conditions also remained very difficult in Australia with an increased underwriting loss due to continued poor results in property and motor business and a substantial worsening in workers' compensation.

In the Netherlands the satisfactory level of underwriting profit was maintained with another good contribution from our important motor account.

For the remainder of our overseas business there was little change from the difficult conditions seen throughout last year and there was an increased underwriting loss for the quarter.

Worldwide general premiums increased to £344.1m which represents an encouraging underlying growth in local currency terms of some 11½%.

Royal Insurance

Group Head Office, 1 Cornhill, London EC3V 3QR

Upsurge at NMW Computers

TAXABLE profits of NMW Computers for 1980 rose from £363,444 to a record £505,220. The surplus was struck after net interest receivable of £89,240 compared with £32,895 but was subject to tax of £166,950 against £200,000. Stated earnings per share improved sharply from 31.7p to 75.4p.

Turnover of the company, which is mainly concerned in the provision of accounting services to stockbrokers and Talisman facilities to the Scottish, Northern and Midlands and Western units, was in line with budget at £2.12m (£1.8m).

The dividend is being stepped up by 5p to 10p.

The directors are planning to split the company's £1 shares into 25p units and make a scrip issue on a one-for-two basis. A resolution to this effect will be put to shareholders at an EGM immediately following the annual meeting next month.

They point out that since large sums are no longer required for future capital expenditure and as cash balances have grown to nearly £1m the company is actively seeking to invest in, or acquire, additional companies in ancillary fields.

The company's shares are dealt in under Stock Exchange Rule 163(2).

Atlas Electric makes modest progress

Net revenue of Atlas Electric and General Trust rose from £3.89m to £4.01m in the year to March 31, 1981. Stated earnings per 25p share are 3.58p compared with 3.46p, and the net asset value is up from 85.5p to 121.5p.

The final net dividend is raised from 2.1p to 2.3p for a total up from 3p to 3.3p.

Gross income for the year was £7.2m (£6.9m, including £466,054 special dividends). Tax charge was £2.03m against £1.88m.

87% LEFT WITH UNDERWRITERS

The offer by tender of £6½m in preference stock by Newcastle and Gateshead Water has received applications for only £852,000 of stock and the underwriters have had to take up approximately 87 per cent of the issue.

Dealings in the shares will begin today. Brokers to the issue are Seymour Pierce and Co.

New worries for Norvic after second half dive

A GROUP pre-tax loss of £1.82m is reported by Norvic Securities for 1980, and of this total, £1.28m came in the second half. In the previous year there were second half profits of £38,909 which resulted in overall profits of £143,909. Turnover of this investment holding and management company with interests in footwear, fell from £16.13m to £12.31m.

No dividends are being paid for the year against a total of 1.2p net in 1979.

Mr. C. L. Metcalfe, the chairman, says that after a good start to the current year, the group suffered a serious setback because of the adverse publicity received in February over the negotiations for extra bank facilities. Instead of the small profit anticipated for the first three months to March 31, he says the group has incurred a £160,000.

Mr. Metcalfe says the group is operating within its current bank facilities and the confidence of customers and suppliers is gradually returning. He is budgeting for profits in the second half.

There was a group trading loss during the year of £1.25m (£551,548 profit). Interest paid was up from £359,639 to £518,759. There was a tax credit of £1,800 (£37,000 charge) representing adjustments to ACT written off in previous years. The 1979 charge represented ACT payable on dividends paid and proposed.

After extraordinary debits of £728,437 (£13,197 credits), attributable losses were £2.54m (£115,579 profit). Retained profit brought forward totalled £919,529 (£894,069) and retained losses carried forward were £1.62m (£919,529 profit).

The bulk of the fall in external sales came from the UK with the figure falling from £13.43m to £10.91m.

The loss per 10p share is 24.23p (earnings 1.37p) basic, and 19.53p (earnings 1.66p) fully diluted.

A professional revaluation of group properties at December 31, 1980 disclosed a surplus of £795,231 over existing book values. Such surplus, which is not reflected in the figures, will be credited to capital reserves in the balance sheet at December 31, 1980, says the chairman.

There is a pre-tax loss of £2.13m on a CCA basis.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Grand Metropolitan.

Finals: Berec, John Crowther, Garner Booth, Hovenngham, Macdonald Martin Distilleries, Newman Industries, Nineteen Twenty-Eight Investment Trust.

FUTURE DATES

Interims—

Archimedes Investment Trust	June 3
BOC International	May 26
Cambrian & General Securities	May 27
Spencer Clark Metal Industs.	May 21

Finals—

Allied Breweries	June 5
Chapman (Balham)	May 28
London and Northern Group	May 20
London Trust	May 20
Monks Investment Trust	May 27
Portsmouth and Sunderland Newspapers	†May 21
600 Group	June 11

† Amended.

Unochrome first half setback

TAXABLE PROFITS of Unochrome Industries fell from £620,000 to £135,000 for the six months to the end of March, 1981, on turnover down from £7.66m to £6.65m.

Despite the setback, the directors have declared a maintained interim dividend of 0.25p. In the previous full year the group paid a net total dividend of 0.65p.

The chairman says the group, an industrial holding company with interests in metal finishing, engineering, consumer goods, forestry and garden equipment, should continue to trade profitably for the rest of the current financial year.

Earnings per 10p share rose from 2.05p to 2.19p after a tax credit of £268,00 (debit £252,000) and minority profits of £45,000 (£23,000). The profit attributable to shareholders emerged at £366,000 (343,000).

With the exception of Silverthorne and AKD Engineering, in Lowestoft, the group's subsidiaries have suffered the full impact of the UK recession, the chairman states.

The business of hard chrome plating and heat treatment in particular were hard hit by the severe reduction in the volume of work available. Some restructuring of these operations is taking place, with related costs to be incurred in the second half.

Taxable profits for the first six months of Silverthorne Group rose from £129,000 to £237,000. Turnover was slightly down from £2.22m to £2.17m.

The interim dividend is held at 0.5p and stated earnings per share are 5.5p (2.29p). Attributable profits are £193,000 (£80,000). Interest rose from £4,000 to £12,000.

Pre-tax profits were £293,000 for the 1979-80 year.

Tax at halfway was lower at £44,000 against £49,000—the new stock relief provisions meant the charge was reduced by £99,000.

Given prospective market conditions and the incidence of major holiday periods over the second half, the chairman does not expect the subsidiary's performance for the rest of the year to match the first six months. However he still looks forward to an overall improvement in pre-tax profits against 1980.

BRITISH SHOE SOARS; SEARS ENG. CUTS LOSS

Two subsidiaries of Sears Holdings have reported end-of-year figures. British Shoe Corporation's pre-tax profits soared from £77.41m to £86.27m on turnover up by £50m to £668m in the year to January 31, 1981. There was a tax charge of £39.66m compared with £27.1m.

Sears Engineering, machinery manufacturer, reduced its pre-tax loss to £7.22m (£8.53m) in 1980. Turnover rose from £198m to £206m. There was a tax credit of £3.32m (£5.94m).

The parent company's results were announced on May 11.

Argus Press suffers £3m drop in profits

Profit before tax of Argus Press Holdings, printer and publisher, plunged more than £3m from £3.89m to £808,000 for 1980 on turnover up from £36.03m to £42.43m.

The group, which is wholly owned by British Electric Traction, declared a final dividend of 1.5p, making a total payment for the year of 7.5p against 37p last time.

Earnings per £1 share emerged down at 17.87p (57.9p) after tax of £201,000 compared with £1.98m.

After current cost adjustments, the pre-tax profit was reduced to £314,000.

Trust Union pays more

A slight increase in profits, after tax, interest and other expenses, came from the investment trust, Trust Union, rising from £1.38m to £1.47m, in the year ended March 31, 1981.

The final dividend is higher at 1.55p (1.5p) raising the total for the year from 2.7p to 3.05p. Net asset value came out 39 per cent up from 75.5p to 105.5p. Stated earnings per 25p share were 3.37p (3.16p).

Expenses and interest payable rose to £455,271 (£433,477) and tax was higher at £736,997 (£662,153). Total income increased from £2.47m to £2.66m.

The board intends to recommend an interim dividend of 1.5p for the year ending March 31, 1982.

Currys chief sees pick-up this year

AFTER a year full of problems and difficulties in the retailing scene, Mr. Dennis Curry, chairman of Currys, says the shorter-term view still looks somewhat gloomy, but he believes the group can look forward to a more buoyant trading climate, perhaps by the autumn of the current year.

"We can particularly look forward to considerable progress in several new markets, of which video equipment is certainly the most important," he tells members.

As reported on April 22, pre-tax profits of this electrical appliance retailer, finished the January 28, 1981, year ahead from £11.9m to £12.28m, and the dividend is lifted to 9p (7.5p) net per share with a 7.5p final.

Group balance-sheet shows shareholders' funds of £65.81m (£57.67m) and net current assets, down from £33.47m to £31.49m. Fixed assets amounted to £33.53m against £23.52m.

At the annual meeting, to be held at 46, Uxbridge Road, Ealing, on June 8, shareholders will be asked to approve a change of name to Currys Group.

UK SUBSIDIARY FOR JACKSON EXPL.

Jackson Exploration Inc., a Texas company engaged in the exploration for and production of oil and gas in the U.S., has formed a UK subsidiary to evaluate related areas of activity outside the U.S.

Jackson Exploration (UK) has established offices at 40-41, Pall Mall, London, SW, and is under the personal direction of Mr. Melvin W. Jackson, Jr.

MINING NEWS

De Beers resumes talks on Zaire diamonds

BY GEORGE MILLING-STANLEY

NEGOTIATIONS ABOUT the marketing of diamonds from Zaire, the world's leading producer of industrial stones, are to resume in Brussels today.

Mr. Tim Capon, of De Beers' Central Selling Organisation, is to meet Citoyen Lakuza, head of Zaire's state-controlled mineral marketing agency Sozacom, in an attempt to prevent the country from ending its 14-year relationship with the CSO.

From its base in London, the CSO handles the marketing of about four-fifths of the world's output of rough diamonds, and since 1967 has had an exclusive contract for the whole of Zaire's production.

President Mobutu Sese Seko of Zaire decreed earlier this year that Sozacom should assume immediate responsibility for the marketing of all the country's mineral products. Zaire is also a major force in world production of copper and cobalt.

Sozacom was allowed the choice between negotiating new contracts with its existing partners, including the CSO, or reaching agreements with new customers. Earlier this month it was learned that the agency has arranged deals with three independent diamond dealing companies, two in Antwerp and one in London.

The Antwerp companies have now been named at Caddi and Glasol, and the third concern involved is Industrial Diamond Company of Hatton Garden, London.

Each of these companies has signed a contract with Sozacom to buy a proportion of Zaire's production, but the contracts still lack percentage figures.

Sozacom has throughout been prepared to allow the CSO a share of Zaire's output, and proportions ranging between 25 per cent and 40 per cent have been discussed, but the CSO has maintained that it needs to handle the whole of the country's production in order to retain its control over prices.

The CSO would clearly like to retain its exclusive contract with Zaire, but there are several factors minimising the importance of diamonds from that source to the organisation.

Notable among these is the fact that Zaire's importance in the world diamond business has declined in proportion to a rapid falling-off in annual production in recent years, which is expected to worsen considerably this year.

SWCM in UK mining ventures

SOUTH WEST Consolidated Minerals (SWCM), the Dundonian subsidiary which is planning a £15m tin mining venture in Cornwall, has acquired a 30 per cent joint venture interest in three UK mining prospects in Devon, Cornwall and Wales, from Black Rock Mineral Ventures.

Black Rock is jointly owned by Robertson Research International, the geological and mining consultants, and VAM, an Australian mining company.

SWCM also has the right to acquire a smiliar interest in any new mineral projects found by Black Rock throughout the world.

SWCM will pay for the stake by issuing to Black Rock 250,000 ordinary shares in SWCM. SWCM shares were floated in June, 1980, at a price of 50p. The new shares will rank pari passu with existing SWCM shares, and SWCM's issued capital, on completion of the deal, will be 24,250,000 ordinary 10p shares.

The Devon prospect is a lead/silver/baryte property covering 3,000 acres. It contains approximately 400,000 tons of dump reserves and potential for further ore reserves underground.

Extensive drilling and test work has been carried out, according to SWCM, and a small mobile treatment plant is planned to process the dump material while the underground potential is further evaluated.

The Cornish property is an alluvial tin prospect of 1,300 acres. SWCM says preliminary exploration has been encouraging, and it plans to define potential reserves.

The third property, in Wales, is an old lead/zinc/silver mine in a licence area covering 10,000 acres.

SWCM believes that modern mining and processing techniques indicate a significant potential for the mine.

SWCM also announces the purchase of a 54 per cent interest in Coalex Developments for £54,000 in cash.

Coalex operates the Coed Talon coal mine in North Wales under licence from the National Coal Board, and owns 58 acres of freehold land estimated to contain approximately 750,000 tons of coal reserves in six adjacent seams, with the possibility of additional reserves in adjoining land. Commercial production is about to start and will build up to around 500 tons a week.

Coalex, according to SWCM, will spearhead SWCM's growing interest in coal.

Wankie in talks on price rise

ZIMBABWE'S Minister of Mines, Mr. Maurice Nyagumbo, said yesterday that the Government's call for a review of its coal price agreement with the Anglo American Corporation group's Wankie Colliery, and its refusal earlier this week to grant the company a 10 per cent increase in coal and coke prices, were "temporary measures," reports Tony Hawkins from Salisbury.

The Minister denied that the decision to review the agreement would jeopardise the colliery's Z$128m (£90m) expansion project, which is associated with the construction of a thermal power station nearby.

He said that the Government's decision had been taken in the national interest, because of the inflation rate in the country and the difficulties facing industrial consumers of coal and coke.

The Zimbabwe Government, he said, is firmly committed to the expansion at Wankie as agreed in the financing arrangements negotiated earlier this year with the International Finance Corporation and commercial banks.

Mr. Nyagumbo said that Wankie made a "small overall profit" in the first half of the current financial year, and this trend is expected to continue for the remainder of the year.

The Government is to carry out an urgent review of the coal price agreement with Wankie, and will enter into negotiations for a price increase which will enable the company to secure a fair return on capital employed.

The agreement provides for Wankie to achieve a pre-tax return of 12.5 per cent on capital employed. It was recently extended until 1995.

BIDS AND DEALS

Ward's extended Tunnel bid fails

Thos. W. Ward has again failed its attempt to persuade through shareholders of Tunnel Holdings to accept a bid for the company, which values it at over £100m.

Through its merchant bankers, S. G. Warburg, Ward will be announcing today that acceptances for its extended offer for the 70 per cent of the voting rights it does not own have been disappointingly low.

Ward, which like Tunnel is predominantly a cement company, now has to decide whether to pull out altogether, raise its bid, or extend it a second time.

The first time round, Ward only managed to pull in acceptances from 2.1 per cent of the "B" shares and none of the "A." It accordingly extended the bid until yesterday afternoon.

Pentos sells its 20.4% stake in Elliott Group

Pentos, the industrial holding group, has sold its entire 20.4 per cent stake (2.7m shares) in the Elliott Group of Peterborough, the construction company, for around £700,000.

Mr. Terry Maher, chairman of Pentos, said last night he had planned to dispose of the shares for some time. "We've made it very clear that we plan to dispose of peripheral investments," he explained.

The reason for the sale of the stake in Elliott was that the medium-term prospects of the company were "not encouraging" according to Mr. Maher. Pentos sold the shares "around the present market price," he said. Shares in Elliott closed yesterday at 26p, unchanged. "We haven't made any money," Mr. Maher added, "we've recovered our book value and made a little bit more."

Mr. Maher said that Bone Fitzgerald, a London stockbroker, approached him two weeks ago and offered to place the shares.

Mr. Chris Bone, chairman of the stockbrokers, said yesterday: "I was aware of Mr. Maher's interest in disposing of the shares and I placed them for him." The shares were placed with clients of Bone Fitzgerald.

Mr. Bone said he believed Elliott had a high net asset value. "I think measures are being taken which will improve its return," he said.

At Pentos, Mr. Maher said the proceeds would be used to reduce group borrowings. The company recently announced a 1980 pre-tax loss of £2.22m against a pre-tax profit of £3.82m the previous year.

Fulcrum bid values Construction at £1.9m

Fulcrum Investment Trust is bidding for Construction Holdings, the former consulting engineer which was restructured as an investment trust in 1979.

The bid price values Construction at £1.9m. It amounts to five new capital shares and one new income share in Fulcrum for every Construction share. If Construction's net assets prove to be higher than the market value of the offer (203p a share) "consideration will be given to increasing the terms."

Fulcrum already owns 5.16 per cent of Construction and associates own a further 9.08 per cent. Fulcrum believes that Construction's portfolio, after some review, will "substantially enlarge" its own portfolio to the benefit of the income holders.

Meanwhile both Fulcrum and Construction are to pay special interim dividends to their respective shareholders if the bid goes unconditional, although the sums have not yet been determined.

PHICOM BUYS

Phicom has acquired Lerner Laboratories Inc. of New Haven, Connecticut for $1.61m (£800,000) payable over the next three years. The company has shown steady growth over the last few years and has recently moved into a new factory providing space for further expansion.

Lerner Laboratories is a leading U.S. manufacturer of specialised equipment and chemical products for pathological laboratories, particularly in the histology and cytology fields.

The consumable products fit particularly well with those of Shandon Southern Products in the Phicom instrument division, and Lerner Laboratories will be operated as a subsidiary of that company.

BURMA MINES

Following the acquisition by Yelverton Investments of a further 1.3m Burma Mines shares making a holding of 2,150,000 shares (14.94 per cent), Mr. Peter Kellett, director of Yelverton, has been appointed a director of Burma.

Establishment Plambuit has disposed of 1.4m shares in Burma reducing its holding to 1.77m shares (12.3 per cent).

BANK RETURN

BANKING DEPARTMENT

	Wednesday May 13 1981	Increase (+) or Decrease (—) for week
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	24,107,289	— 10,658,118
Bankers Deposits	394,407,394	— 337,911,917
Reserve & other Accounts	1,491,096,928	— 3,063,818
	1,924,164,611	— 344,806,217
ASSETS		
Government Securities	745,614,316	— 160,235,638
Advances & other Accounts	865,394,319	— 8,350,359
Premises Equipment & other Secs.	307,930,748	— 179,394,430
Notes	5,135,342	— 13,614,898
Coin	89,884	+ 9,420
	1,924,164,611	— 344,806,217

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes Issued	10,675,000,000	— 150,000,000
In Circulation	10,669,864,658	— 136,385,102
In Banking Department	5,135,342	— 13,614,898
ASSETS		
Government Debt	11,015,100	
Other Government Securities	7,021,215,804	+ 143,322,107
Other Securities	3,642,769,096	— 293,322,107
	10,675,000,000	— 150,000,000

Accept this offer urges Wrighton

MR. KEITH WRIGHTON, chairman of the kitchen furniture maker, admits that the bid from Greenbrook Securities is £1.2m below the book value of the company, but still urges shareholders to accept it.

He points out in the offer document sent to shareholders yesterday that trading and profits are not expected to "improve sufficiently in the foreseeable future to justify a market capitalisation at a level approaching the £3.55m" offered by Greenbrook.

The offer, in fact, is already a "shut out." Shareholders—mostly the Board and their families—have already irrevocably accepted the bid in respect of their 61.7 per cent.

Wrighton has yet to produce its figures for the year to March 31, 1981, but conditions have clearly worsened and the Board estimates that losses in the second half of the year were "at a higher rate" than in the first half when the group lost £180,000 before tax.

There will also be an extraordinary loss of about £1m arising from the reorganisation and sale of the Walthamstow factory, which was sold for £2m.

Bestobell to sell rest of consumer side

Bestobell is planning to dispose of the two remaining companies in its consumer products division and concentrate on its controls, aviation and energy engineering activities.

The group has already agreed the sale of its paints and chemicals subsidiary to Silver Paint and Lacquer (Holdings) for £2.25m and Mr. A. B. Marshall, the chairman, told the annual meeting that discussions were taking place with potential purchasers of the home products and home appliances companies.

Given shareholders' approval for an increase in authorised capital, the group intends to raise some £6.6m through the sale of new shares. This will leave some 1.2m shares unissued, says Mr. Marshall, so that in pursuit of appropriate acquisitions the group will be able to offer cash or equity or a combination of the two.

Bestobell lifted its pre-tax profits from £6.4m to £7.7m in 1980 and the chairman told shareholders at the meeting that the current year offered scope both in the UK and overseas, provided that in this country it was not jeopardised by politically-motivated hasty reinflation.

MACMILLAN AND T.S.L. BUY COLLEGE PRESS

The directors of Macmillan Publishers and Zimbabwe-based TSL have announced the purchase of the College Press group of companies.

College Press is the major Zimbabwe-owned publisher of educational books and materials at primary and secondary level, and Macmillan says it has been bought so that its publishing infrastructure can be strengthened to cope with the new educational demands in Zimbabwe.

The Zimbabwean character of the group will be maintained and the majority of the shares will continue to be owned in Zimbabwe, Macmillan says.

College Press will be run, as previously, in separate publishing and printing divisions. College Press (Pvt), the publishing company, will be jointly owned by Macmillan, a consortium of Zimbabwean investors, and TSL.

Macmillan will be responsible for publishing management, for the expansion of the local publishing programme, and the development of a major export publishing programme.

Litho Services (Pvt) will be owned by TSL and College Press. TSL will be responsible for printing management, drawing where necessary on the resources of the rest of their printing group to meet the anticipated increase in printing demand.

Referral clouds Lloyds offer

The Monopolies Commission reference of the bids for Royal Bank of Scotland has clouded the position over Lloyds Bank's bid for Lloyds and Scottish, the consumer credit house in which Royal Bank has 40 per cent.

Lloyds Bank, which was an equal partner with Royal Bank in Lloyds and Scottish, bought sufficient shares in the market to bring its stake up to 50.2 per cent, thus incurring an obligation to bid for the remainder.

Royal Bank originally indicated its intention to accept the bid but the reference of its own bids from Standard Chartered and Hong Kong and Shanghai Banks, has meant that it must now defer any decision.

Meanwhile Lloyds Bank's bid for Lloyds and Scottish still goes ahead, directed at the 10 per cent of the shares still held in public hands.

The bid is already unconditional so it can be indefinitely extended but shareholders are urged to accept it by the first closing date, June 3, by Mr. George Duncan, chairman of Lloyds and Scottish and his fellow board members.

Shareholders are protected against any upturn in the market price which might arise from the Royal Bank uncertainty.

The official offer document states that the Lloyds and Scottish board has "obtained an undertaking from Lloyds Bank that should it for any reason, prior to the end of this year, agree a higher offer to Royal Bank or any other shareholder in respect of their holding in Lloyds and Scottish, the benefit of that higher offer would be made available to shareholders who accept the present offer."

Wm. Collins' shares rise well above offer price

THE SHARE price of William Collins, the Glasgow-based publishing group, yesterday stayed well above the level of the surprise bid from News International.

This values the company, publisher of the Bible, Fontana paperbacks, and such hardback best sellers as Life on Earth, at nearly £23m on the basis of the 200p that News is offering for the ordinary voting shares and the 150p for the non-voting "A" units.

Last night, the ordinary shares moved up by a further 17p to 230p and the "A" by 4p to 162p. With the share price above the offer level, News International is precluded under the Takeover Code from buying through the market.

News issued a clarification yesterday of its position under Rule 22 of the code, which binds bidders to firm statements on the size or duration of their offers.

Referring to Press comment on the bid, News said it must be made clear that in terms of Rule 22, it had made no positive statements on its future intentions other than in its formal Press announcement.

The reference was to a statement in the Financial Times reporting remarks by Mr. Philip Ekberg, a News International director, that the offer would not be increased.

Mr. Robert Maxwell, the head of Pergamon Press, who raised his stake in Collins from 8 to 10 per cent on the day of the bid through market buying, is not believed to have made any major purchases yesterday. It is understood that he is very much opposed to the News bid.

Burrell statement out by end of this month

A STATEMENT of affairs of Burrell and Co., the East London based pigment and dye manufacturer which went into receivership in August, 1980, is expected to be completed by the end of this month.

Mr. Ian McIsaac, of Touche Ross and Co., who was appointed receiver said he was waiting to "finalise the bits and pieces" and he expected all the figures to be sorted out by the end of this month.

Mr. McIsaac would not disclose what surplus was likely to be available for shareholders. He said he would forward the final statement of affairs to the directors of Burrell and then it would be up to them to inform shareholders as to their position.

Burrell requested Barclays Bank to call in the receiver because of severe liquidity problems. The group had been making losses since 1977—when overcapacity in the pigment industry started a fierce price cutting war—and in 1979 the group reported losses of almost £800,000.

In February Johnson Matthey, the precious metal refining group which also has substantial interests in ceramic colours and pigments, agreed terms with the receiver for the purchase of the major part of the assets of Burrell Colours, the principal operating company of the group.

DIRECTOR BUYS BEMROSE DIVISION

Mr. Alan Austin, the former managing director of the Bemrose Bag and Envelope Company (BBEC), has purchased the company's envelope manufacturing division.

BBEC is based in Leeds and is part of the printing and packaging group Bemrose Corporation, which has sold its envelope business as part of its rationalisation plans.

BBEC's envelope business was started by Mr. Austin four years ago. He has purchased it with the help of funds provided by Industrial and Commercial Finance Corporation (ICFC).

Mr. Austin will use the funds to modernise equipment and form a company called Leeds Envelopes.

The new company employs all the business's former staff and will continue to manuacture BBEC's high-quality envelopes.

CASH AND CARRY FOR CHARTERHOUSE

Charterhouse Development Investments, a subsidiary of the Charterhouse Group has acquired 81.5 per cent of the ordinary capital of Thomas Bryant and Son, which owns 92.5 per cent of the St. Helens based cash and carry company, M6 Cash and Carry. It now becomes a subsidiary of Charterhouse, is the largest independent wholesale cash and carry operator in the UK, with five warehouses totalling 180,000 square feet.

In the year to January 31, 1981, M6 had pre-tax profits of £491,000 on turnover of approximately £30m. The value of the assets acquired was £750,000.

The balance of the share capital will remain in the hands of the existing directors, who will continue to manage the company.

CARRINGTON VIYELLA IN JOINT TALKS

Carrington Viyella and Anglo Transvaal Industries are having discussions which could lead to the joint ownership of Gelvenor Textiles (Proprietary), currently a wholly-owned South African subsidiary of Carrington Viyella.

A further announcement will be made when negotiations have been completed.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$475	10	6	—	—	—	—	$475.50
GOLD C	$500	22	0.50	41	30A	5	30	"
GOLD C	$525	—	—	52	12	55	27A	"
GOLD C	$550	—	—	25	10	10	24	"
GOLD P	$475	10	2.50B	55	19	10	[illegible]	"
GOLD P	$500	27	21	2	30	—	—	"
GOLD P	$525	10	45B	—	—	—	—	"
		Jul.		Oct.		Jan.		
ABN C	F.300	3	4.50	—	—	—	—	F.281
AKZO C	F.17.50	—	5.60	—	—	—	—	F.23
AKZO C	F.20	41	3.20	58	3.80	—	—	"
AKZO C	F.22.50	4	0.90	5	2.60	—	—	"
AKZO C	F.25	96	0.30	39	1.60A	48	2.80	"
AKZO P	F.22.50	17	0.90	—	—	—	—	"
AKZO P	F.25	8	2.70	—	—	—	—	"
AMRO C	F.50	—	—	5	0.70	—	—	F.54.50
HEIN C	F.55	20	2.20	11	2.50	—	—	"
HEIN C	F.60	17	1.10	—	—	8	3.20	"
HEIN P	F.55	4	2.50	—	—	—	—	"
HEIN P	F.60	5	4.80	—	—	—	—	"
IBM C	$60	15	1¾	—	—	—	—	$56⅝
KLM C	F.90	—	—	6	39	—	—	F.128.50
KLM C	F.100	49	29.50	—	—	—	—	"
KLM C	F.110	166	23.50A	20	28.50	—	—	"
KLM C	F.120	75	17.50A	5	20.50	—	—	"
KLM C	F.130	235	11.50	9	16.50	12	20.50	"
KLM P	F.90	5	0.80A	—	—	—	—	"
KLM P	F.100	292	2	30	4.50A	—	—	"
KLM P	F.110	187	3.40B	—	—	—	—	"
KLM P	F.120	58	7.50B	—	—	—	—	"
KLM P	F.130	18	11.80	—	—	8	[illegible]	"
NATN C	F.100	9	3	7	6.70	10	7.50	F.107.70
NATN P	F.110	—	—	—	—	—	—	"
NATN P	F.120	18	15	—	—	—	—	"
PHIL C	F.17.50	21	4	18	4.50	—	—	F.20.80
PHIL C	F.20	181	2	172	2.70	3	3.40	"
PHIL C	F.22.50	487	0.70	453	1.40	42	2	"
PHIL P	F.20	30	0.40	28	0.90	—	—	"
RD C	F.80	15	15.80	—	—	—	—	F.95.60
RD C	F.85	33	6.80	5	9	—	—	"
RD C	F.90	33	5.50	—	—	—	—	"
RD C	F.95	18	3.80	14	4.50	24	6.60	"
RD C	F.100	166	2.10	14	2.70	—	—	"
RD C	F.110	—	—	14	4.30	20	6.10	"
RD P	F.90	203	2.50	—	—	—	—	"
RD P	F.95	42	3.80	—	—	4	13.50	"
RD P	F.100	20	6	—	—	—	—	"
		MAY		AUG.		NOV.		
BOEI C	$35	—	—	—	—	5	[illegible]	$33⅝
BOEI P	$35	7	3¼	—	—	10	5	"
BASF C	DM.130	—	—	11	16.50	—	—	DM133.10
MANN C	DM.130	—	—	—	—	—	—	DM166.50
MANN C	DM.150	20	1	—	—	—	—	"
SLUM C	$100	21	3	—	—	—	—	$99⅞
SLUM C	$110	—	—	5	2¼	—	—	"

TOTAL VOLUME IN CONTRACTS 4016

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

May 14 Total Contracts 1110

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	390	40	13	52	5	66	—	402p
BP	420	24	45	42	4	—	—	"
BP	460	9	2	—	—	—	—	"
Com. Union	140	32	—	37	3	45	—	165p
Com. Union	160	17	5	21	—	26	—	"
Com. Union	180	7	11	11	3	14	—	"
Cons. Gold	420	80	25	105	—	120	—	490p
Cons. Gold	460	50	—	80	15	90	—	"
Cons. Gold	500	28	—	50	1	70	—	"
Courtaulds	70	5	10	7	—	9½	15	66p
Courtaulds	80	1	7	3	15	6	2	"
GEC	650	45	30	65	—	88	—	663p
GEC	700	18	3	37	—	58	—	"
Grand Met.	160	20	15	25	1	28	—	193p
Grand Met.	180	11	5	16	—	23	—	"
Grand Met.	200	4	55	8	—	13	—	"
Grand Met.	220	4	—	44	2	44	6	302p
ICI	280	38	—	34	20	44	—	"
ICI	300	26	—	34	21	25	—	"
ICI	330	15	3	15	—	25	—	"
ICI	360	5	—	8	—	36	—	"
Marks & Sp.	100	44	5	54	—	—	—	158p
Marks & Sp.	110	34	9	44	—	—	—	"
Marks & Sp.	120	24	1	33	—	—	—	"
Marks & Sp.	130	17	26	25	—	31	—	"
Marks & Sp.	140	11	11	17	—	21	—	"
Shell	360	60	25	70	—	78	5	400p
Shell	390	38	5	54	—	66	—	"
Shell	420	21	38	36	1	—	—	"
Shell	460	7	3	16	11	—	—	"
Totals			375		102		56	
		May		August		November		
Imperial Gp	60	15½	4	18	—	19	—	74p
Lasmo	500	107	5	132	5	150	—	597p
Lasmo	550	57	3	92	5	114	—	"
Lasmo	600	22	3	65	5	84	—	"
Lasmo	650	5	20	27	1	59	—	"
Lasmo	700	1	—	24	1	32	—	"
Lasmo	750	½	—	13	1	20	—	"
Lonrho	100	1	17	5½	3	9½	7	95p
Lonrho	110	½	4	3	3	5½	37	"
P&O	120	20½	1	23	—	27	—	140p
P&O	130	10½	14	15	1	21	—	"
P&O	140	1½	35	10	49	15	—	"
P&O	160	½	—	4	3	6	—	"
Racal Elec.	330	62	5	71	4	84	5	389p
Racal Elec.	360	32	25	47	2	62	5	"
Racal Elec.	390	9	105	27	147	43	—	"
RTZ	460	—	—	105	1	110	—	532p
RTZ	494	46	16	—	—	—	—	"
RTZ	500	32	—	70	1	80	—	"
RTZ	550	16	—	50	1	55	—	"
Totals			245		257		95	

PUBLIC NOTICES

CITY OF BIRMINGHAM

GAS AND WATER ANNUITIES

NOTICE IS HEREBY GVEN that in order to prepare annuity repayments due on 1st July, 1981 the ANNUITIES REGISTER will be CLOSED from 1st June, to 15th June, 1981, both dates inclusive.

E. D. LLOYD, City Treasurer.
The Council House, Birmingham B3 3AB.

CITY OF BIRMINGHAM

MORTGAGE LOANS

NOTICE IS HEREBY GIVEN that the REGISTER OF MORTGAGES will be CLOSED TO TRANSFERS from 1st June to 30th June, 1981, both dates inclusive.

E. D. LLOYD, City Treasurer.
The Council House, Birmingham B3 3AB.

Energy Review: Liquid fuels from coal

By Martin Dickson, Energy Correspondent

Britain weighs the pros and cons

THE HEADY enthusiasm with which western governments embraced expensive synthetic fuels programmes just a few years ago has suddenly been replaced by a cautious, cold, commercially-minded stocktaking.

The change in atmosphere has been illustrated afresh in the UK this week with the news that the National Coal Board and the Department of Energy are locked in an important debate over the future of a coal liquefaction plant the NCB wants to build at Point of Ayr, North Wales.

The plant would test methods of producing liquid fuels from coal which have been developed by NCB research scientists.

The Government has been debating whether to back the project for more than a year and the NCB is anxious for it to reach a decision quickly. Back in 1978 the Labour Government said it would consider funding up to two-thirds of the cost of the scheme.

Now, however, Dr. Anthony Challis, the new chief scientist at the Department of Energy, has written to the NCB questioning whether the UK needs its own liquefaction technology and whether the Board's system will be competitive with rival U.S. processes.

Sir Derek Ezra, the NCB chairman, has replied that the UK must develop a liquefaction option and that the NCB approach represents a sufficient advance over the technologies being developed in the U.S. and West Germany to merit support.

The NCB has developed two distinct methods of producing oil from coal. Liquid solvent extraction, which yields petrol, diesel fuel and kerosene by dissolving coal in a coal-derived liquid solvent; and supercritical gas solvent extraction, which uses high pressure hot gas to get a coal-in-gas solution for producing high value aromatics and chemical feedstocks used in manufacturing plastics, rubbers and artificial fibres.

Both methods would be used in the pilot plant planned for Point of Ayr. There would be two units, each taking 25 tonnes of coal a day. The liquid solvent extraction plant would produce 13 tonnes a day of coal liquids and the super-critical gas plant 8 tonnes a day of liquids. Each would have its own refinery to make finished products.

The cost of the whole project, in out-turn prices, is now estimated to be about £90m. The NCB would probably provide about 20 per cent of this and it could expect a further £12m contribution from the EEC—provided the scheme had the approval of the UK Government. Further funds might be provided by oil companies, notably British Petroleum, which has been involved in the preliminary studies.


Sir Derek Ezra (left): a significant advance; Dr. Anthony Challis: yet to be convinced

The NCB also wants a large cash contribution from the Government. But it argues that the project could attract sufficient support to go ahead even if the Government provided no funds.

What it regards as vital is moral support from the Government—an unambiguous statement that the project is worthwhile—since this would clear the way for EEC money and help attract private enterprise contributions.

Two particular advantages are claimed for the NCB processes. First, they allow a more efficient use of catalysts involved in the conversion process. Secondly, studies in which the Department of Energy has been involved suggest that the methods could have a 30 per cent cost advantage over U.S. rivals.

In his letter to Sir Derek, Dr. Challis says it is likely that the UK can maintain net self-sufficiency in transport fuels and chemical feedstocks well into the next century.

Moreover, coal liquefaction will first find a commercial application in countries with access to coal which is much cheaper than that mined in the UK.

"The two factors of UK self-sufficiency and relative coal costs lead to the conclusion that the principal rationale for developing UK liquefaction technology must be to serve markets for the export of process engineering and, to a degree, capital plant."

Sir Derek disagrees completely: "I cannot accept your view that the principal rationale is the export of process engineering and plant," he replies. "Coal liquefaction is an option we must develop in this country to ensure that we can meet our own requirements from liquid fuels in the 1990s using our own coal as the raw material."

He also points out that Dr. Challis's views on self-sufficiency are far more optimistic than the Department of Energy's past pronouncements—which foresaw the UK again becoming a net importer of oil products in the 1990s.

On costs, Dr. Challis acknowledges that paper exercises have shown an advantage for the NCB processes—but there would be a "very long road" to translate that into commercial reality.

Either way, an NCB package would lag U.S. technology by about six years. "I have yet to be convinced," Dr. Challis adds, "that an NCB package could be competitive in timing or scale with, for example, the Exxon package."

Sir Derek replies that the NCB process is a significant advance on its rivals. Its use of a more sophisticated catalyst means it produces premium products in greater quantities than any of the other processes.

He adds that one U.S. oil company involved in the Exxon donor solvent programme has approached the NCB on the grounds that its process is more promising for their feedstock. Furthermore, tests with coals from Canada and Australia indicate wide export potential for the technology.

The scale of the operation had been discussed at great length with BP, which had been attracted to the idea of a 200-tonne a day plant but conceded that this would only be possible with massive Government funding, which would be unlikely. It had been agreed that a 25-tonne a day plant could be transferred directly on to a scale on which commercial operations could be based.

Dr. Challis also queries the thoroughness of the NCB's engineering and criticises Point of Ayr as the location for the project. This greenfield site, next to a Welsh colliery, seems to him "unnecessarily expensive." Using the infrastructure of an existing refinery site would seem a far better proposition.

Despite Dr. Challis' strictures, it is still too soon to say which way the decision in Westminster will go. But whatever the outcome the NCB may well have to reduce the scale of its plans, possibly by combining the two separate refineries at Point of Ayr into one.

There is also speculation that it might be prepared to abandon one of the two processes—though the Coal Board insists that it is still aiming to build both units.

The developments in the UK represent a small-scale version of a more general note of caution in the West over synfuels development. Nowhere is the change more evident than in the U.S., where the Reagan Administration has slashed the Department of Energy's synfuels budget.

One major casualty of the new approach is likely to be the SRC 11 liquefaction demonstration plant which was due to be built at Morgantown, West Virginia. The project, managed by Gulf Oil, has been funded jointly by West Germany, the U.S. and Japan.

The West Germans have indicated they cannot afford their contributions to the project and with the U.S. now backing away the outlook seems bleak. The partners will meet in Bonn early next month to take a final decision.

The more cautious approach to coal liquefaction and gasification stems in part from the current world oil glut and in part from the soaring capital costs of the projects. It is also to some extent a natural weeding out process as the merits and deficiencies of particular technologies become clear.

But though progress may be slower than once expected, there is no doubt liquids from coal will be needed before long.

Gold: private sales, public purchase

By David Marsh and George Milling-Stanley

THE international gold market last year was heavily influenced by two contradictory factors: large-scale selling from investment stocks by private holders around the world, together with a new-found fondness for bullion purchases among central banks, particularly from developing countries.

Consolidated Gold Fields' annual review of the gold scene, published yesterday, makes clear that these two influences will also be key price determinants in 1981.

The spurt to the short-lived peak of $850 an ounce reached in January 1980 set off heavy selling, particularly of jewellery stocks from the Middle and Far East and dampened private sector investment interest in the metal for the whole of the year.

The review, "Gold 1981" says it is too early to say whether the bottom of the falling market has now been reached. It points, however, to "initial signs" in recent months of a revival of physical demand from the Far East, particularly from Japan and Indonesia.

Forecasting continued activity by Third World and Middle Eastern central banks, ConsGold says that some countries made large purchases of gold last year. "It is likely that part of these holdings will be sold and repurchased as the managers of the funds attempt to increase the overall return by catching the swings in the market."

The London mining finance house estimates net official purchases of gold last year at 230 tonnes, compared with net sales of 544 tonnes in 1979. This was the first year since 1972 that central banks and official institutions have been reckoned to be net buyers.

Indonesia recorded an increase in official gold holdings of nearly 66 tonnes. This was in contrast to the heavy dishoarding of the metal by that country's private sector, whose holdings of fabricated gold are estimated to have dropped by about 55 tonnes.

South Africa, the world's main producer, boosted gold reserves by 66 tonnes, of which 25 tonnes represented the repurchase of gold which had previously been "swapped" to private banks.

WORLD GOLD SUPPLY AND DEMAND
(tonnes)

	1980	1979	1978
Non-communist production	+943	+961	+979
of which:			
South Africa	675	703	706
Canada	49	51	54
Brazil	35	25	22
U.S.	28	30	30
Philippines	22	19	20
Australia	17	19	20
Colombia	17	10	9
Net sales by Communist bloc (incl. China)	+90	+199	+418
Net official sales/purchases by non-communist agencies	−230	+544	+362
Increase in gold holdings of non-communist private sector	−803	−1,704	−1,761

+Denotes supplies; −denotes offtake. Source: Consolidated Gold Fields

The major official sales last year were by the International Monetary Fund—which halted its four year auction programme in May—and Canada, which reduced its reserves by 37 tonnes. Net sales by the Communist bloc, mainly by the Soviet Union but also including China, are estimated at 90 tonnes.

High prices reduced the increase in fabricated gold holdings of the non-communist private sector to only 521 tonnes last year, only around one third of the 1979 figure and the lowest this decade.

The total increase in holdings of carat jewellery was only 120 tonnes, made up of an increase of 270 tonnes in the industrialised world and an unprecedented reduction of 150 tonnes in developing countries.

The quantity of gold used in new carat jewellery fabrication was 309 tonnes. This was larger than the increase in holdings because a large amount of old jewellery stocks was converted into gold bullion last year.

In the Middle East in particular the jewellery fabrication industry tended to use locally dishoarded gold, with the surplus of dishoarded gold shipped back to London and Zurich.

On the supply side, "Gold 1981" shows a fall of 1.9 per cent in the total of non-communist world production to 943 tonnes, compared with 961.3 tonnes in 1979. Output from South Africa, with almost three-quarters of private sector production, declined to 675 tonnes from 703.3 tonnes in 1979, as a result of the mining of lower-grade ores, which became economic with the higher gold prices prevailing during much of 1980.

The same reason is given for the slight falls in output from Canada, which produced 49.3 tonnes against 51.1 tonnes, and the U.S., where production was 8.6 per cent lower at 27.6 tonnes.

A larger percentage fall took place in Papua New Guinea, where gold is produced as a by-product from copper mining. The country's output fell to 14 tonnes against 19.7 tonnes because the mining operations at Bougainville have moved into an area with a lower gold grade.

GOLD OFFTAKE BY NON-COMMUNIST PRIVATE SECTOR
(tonnes)

	1980	1979
Increase in holdings of fabricated gold	521	1,315
of which:		
Carat jewellery	120	737
Official coins	179	296
Electronics	81	94
Dentistry	62	86
Increase in holdings of gold bullion	282	389
Total increase in gold holdings	803	1,704

Source: Consolidated Gold Fields

Australian gold production was also lower, at 17.3 tonnes compared with 18.6 tonnes, but the Philippines and Brazil provided exceptions to the general downward trend as a result of the opening up of new mining areas.

Output from the Philippines rose by 15 per cent to 22 tonnes, while Brazil registered an increase of 40 per cent to 35 tonnes. The new Serra Pelada surface operation in Brazil is estimated to have accounted for almost 10 tonnes of this.

The report points out that the strength of the bullion price in late 1979 and much of 1980 caused many companies to take another look at gold-producing areas which had previously been considered uneconomic or where mining had been suspended when the price was lower.

Consolidated Gold Fields' investigators are currently making a survey of these prospects, with a view to discovering which of them are likely to "complete the arduous route to the profitable production stage."

Output from these prospects is unlikely to be large—with the exception of Brazil and Ghana—and the total from those which go into production is unlikely to make up for the expected decline in South Africa towards the end of the decade.

COMPANY NOTICES

هكذا من الأصل

BMW earnings move into reverse as margins wilt

BY KEVIN DONE IN FRANKFURT

BAYERISCHE Motoren Werke (BMW), the West German prestige car and motor cycle manufacturer, suffered a drop of 20 per cent in pre-tax profits to DM 458m ($200m) last year, but it was one of the few European car makers that succeeded in raising car production and sales.

The company made clear yesterday that a similar trend is developing this year. BMW is hopeful that it will achieve further modest increases in production and sales, although profit margins are still under pressure.

Sales worldwide rose by 8 per cent to DM 3.1bn in the first four months of 1981 but output has fallen behind last year's level because of the reduction in working days.

Production totalled 121,674 cars, a drop of 4.1 per cent and as a result unit sales were down by 5 per cent at 119,361.

Demand is depressed in the West German market and because of the switch by German buyers to smaller cars BMW is losing market share overall. In the first three months of the year it took 5.1 per cent of West German new car registrations against 5.7 per cent a year ago.

It is still gaining sales abroad, however, and it is the strong export demand, which is allowing it to continue high production. Exports in the first four months accounted for 60.4 per cent of sales against 55.8 per cent a year earlier.

BMW attributes its growing strength in foreign markets partly to the setting up of its own sales organisations in major countries which are now handling as much as 88 per cent of BMW exports.

Its latest step—completed last month—was to take over its sales organisation in Japan. By 1985-86 BMW hopes to build a network of around 60 dealers in Japan from the current 30 and to increase sales from some 3,000 this year to around 10,000.

Herr Eberhard von Kuhnheim, chairman of BMW which is more than 60 per cent owned by the Quandt family, said he expected car production overall in West Germany to show a further fall of 4 to 5 per cent this year after a drop of 10 per cent in 1980. Car registrations in the Federal Republic would also be lower.

National Bank puts case for CBC deal

By Our Sydney Correspondent

THE NATIONAL BANK of Australasia yesterday moved to patch up differences with the Commercial Banking Company of Sydney following the CBC's rebuff of its A$391m (U.S.$446m) takeover offer. The National also moved swiftly to place its offer before shareholders and thereby outmanoeuvre would-be competitors by issuing its formal Part A bid statement.

Differences between the two banks became public on Wednesday, when the CBC argued that the deal was originally styled as a merger but had become a takeover and that the share exchange offered seemed inadequate compared with the value of the ANZ A$583m bid for the CBA on a price-earnings ratio basis.

The reply by Sir Robert Law-Smith, the National chairman, offered seats on a new board to eight of the present ten CBC board. But Sir Robert said: "We do not consider that our decision to proceed by way of a formal takeover scheme rather than a court scheme is inconsistent with our proposal for a merger of the two banks."

Dividend increase

The National's answer to suggestions of inadequacy in its bid was to concentrate on aspects other than a comparative price-earnings value. The basis of the bid was not determined by any simple measure, such as price-earnings ratio, but resulted from consideration of a wide range of factors, said Sir Robert.

CBC shareholders would receive a "very substantial" increase in dividend income following the two-for-one offer, and there would be significant capital appreciation compared with share prices before the first of the recent bank merger announcements was made.

Sir Robert said also that the CBC's managing director would become joint managing director of the "merged" banks, with Mr. Jack Booth, general manager of the National. Mr. Booth would, however, be responsible to the board as chief executive officer.

RIVAL TO DOME BID

Nova seeks Hudsons Bay Oil

BY ROBERT GIBBENS IN MONTREAL

DOME PETROLEUM, one of Canada's largest energy groups, has run into opposition from another powerful Canadian oil company in its efforts to get control of Hudsons Bay Oil and Gas Limited, a large Canadian production company with growing interests in Indonesia.

Nova Corporation, the large energy group built up by Mr. Bob Blair from the former Alberta Gas Trunk Line company, is talking with Conoco of the U.S., the controlling shareholder of HBOG.

Conoco has taken legal action in the U.S. to block the strategy of Dome. Last week Dome offered more than U.S.$900m for 13 per cent of Conoco's shares in a tender offer. If successful, it planned to trade that stock for Conoco's 53 per cent controlling stake in HBOG.

The present market valuation of HBOG after a sharp rise this week, indicates that the Conoco holding is worth around U.S.$1.2bn.

Nova is acting through its subsidiary, Husky Oil of Calgary, which Mr. Blair wrested from the clutches of Petro Canada, the national oil company, two years ago in a celebrated stock market coup.

Husky recently reported first quarter profits of C$21.4m (U.S.$17.8m) on sales of C$347.4m, against C$16.2m on C$270.7m a year earlier.

If Nova, being predominantly Canadian-owned and with as much financial muscle as Dome Petroleum, succeeded in buying Conoco's stake in HBOG, HBOG would automatically gain full access to Federal exploration and development grants under the national energy programme.

Hudson's Bay Company of Toronto, controlled by the Thomson family, owns 16 per cent of HBOG and the balance of the stock is in public hands.

Nova has not revealed the price it might be willing to offer Conoco for its HBOG shares, and says only that talks are in progress.

HBOG, besides conventional production in Western Canada, has important land holdings in the north and eastern offshore areas.

Nova last year earned C$143.7m on revenues of C$2.1bn. It is the lead sponsor of the Canadian section of the Alaska Highway gas pipeline and joint sponsor of the gas pipeline extension from Montreal to the Maritimes. Mr. Blair has said he is on the acquisition trail and Nova recently began building up its east coast offshore exploration interest through farm-ins.

Union Oil bids for minority in Canada unit

BY PAUL BETTS IN NEW YORK

UNION OIL of California, one of the top 15 U.S. oil groups, is planning to buy out the minority shareholders in its Canadian subsidiary for C$130m (U.S.$108m).

Union Oil said the move was a first step towards selling the subsidiary, Union Oil of Canada, to a Canadian group. This is in response to Canada's new National Energy Programme which, among other things, seeks to bring under Canadian control the subsidiaries of U.S. oil companies operating in the country.

Union said it was offering $C65 a share for the 2m common shares of Union Oil of Canada which it does not already own. These shares account for 13.3 per cent of the Canadian company's outstanding stock.

But Union said its offer was conditioned on receiving at least 90 per cent of the 2m shares.

The offer, it added, "is part of a plan to seek a buyer for Union of Canada's conventional oil and gas business." The Los Angeles-based oil group also said it would retain a number of assets — including coal, heavy oil, tar sands and Beaufort Sea exploratory acreage — which are currently producing no revenues.

Profits rise 13% at Petro-Lewis

By Terry Byland

EARNINGS at Petro-Lewis, the Denver-based independent oil and gas company, rose 13 per cent to $8m in the third quarter of this year. This brought the total for the first nine months to $131.7m or $1.23 a share, up 61 per cent from a year earlier.

The board commented that the higher earnings largely reflect increased oil and natural gas revenues because of higher prices and increased production. Third-quarter results were cut by $3.8m windfall profits tax and by a 123 per cent increase in interest charges on greater outstanding debt.

The company's proven reserves are now estimated at 20.7m barrels of oil and 186.2bn cubic feet of natural gas.

Mr. Jerome Lewis, president, said in London last week that reserves have shown a 23 per cent compounded growth over the past five years.

Dollar and D-Mark bonds unchanged in quiet trading

BY OUR EUROMARKETS STAFF

Prices of dollar and D-Mark denominated Eurobonds were unchanged on the day but Swiss franc bonds slipped by ⅜ points.

What was already a very quiet market came virtually to a standstill, as many members of the Eurobond community gathered in Hamburg yesterday for the annual general meeting of the Association of International Bond Dealers.

Prices of dollar denominated straight bonds were unchanged on average despite a slight improvement in the New York bond market yesterday where the money supply figure today were expected by dealers to show only a slight increase.

The only two dollar bonds on offer at present are a $100m eight year FRN for Renfe, the Spanish state railways and a $40m three-year 15⅝ per cent issue for Federal Business Development Bank which includes a final price of 99⅞. This bond is receiving a good reception and is currently quoted in pre-market trading at 99⅛-⅞.

Union Bank of Switzerland has launched a SwFr 80m 10-year issue for the European Investment Bank which carries a coupon of 7½ per cent and an issue price of 99½ per cent. The issue was originally scheduled for launch on Monday but was postponed due to poor market conditions. The lead manager had then indicated a coupon of 7⅞ per cent with a discount on the issue price.

● Chase Manhattan and Citicorp have been mandated to raise $155m for 10 years for Atlas Consolidated Development and Mining of the Philippines. The loan bears a split ⅞-1 per cent margin over Libor and repayments begin after a grace period of four years.

Pta 7bn Spanish credit arranged

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CHASE MANHATTAN is arranging a Pta 7bn ($83m) syndicated credit in the domestic Spanish market for Cia Sevillana de Electricidad, the largest such credit arranged in this rapidly growing market.

The handling of the loan is similar to a conventional Eurocredit with a margin of 1 per cent for the first three years rising to 1¼ per cent for the remaining three, although the reference rate is that for one, three or six month money in the Madrid interbank market.

These margins are much higher than around the ⅝ per cent level now paid in the Euromarket by Spanish borrowers, but the deal carries the advantage for the borrower of being free of exchange risk and based on peseta interest rates which are well below those now charged on dollars.

For the banks the funding risk in pesetas is rather greater than in the Eurodollar market, but even so these credits are extremely lucrative and the Sevillana borrowing is understood to be heavily oversubscribed.

Other banks in the lead management group are Bank of America, Banco de Andalucia, Bank of Tokyo, Banco de Vizcaya, Citibank and Credit Lyonnais, which are handling the transaction through their Madrid offices.

Bankers expect interest in such deal to grow apace now that foreign banks are becoming established in Spain and beginning to compete with the local banking community.

Development of a Spanish syndicated credit market is thought to be particularly significant for local corporations who have not had much access to long-term bank finance.

Profits on this type of business the likely to encourage foreign banks to continue to lend Eurocurrencies into Spain because the amount of peseta lending they can undertake in the country is linked by regulation to the amount lent in other currencies.

Thomson Newspapers advance

By Our Montreal Correspondent

THOMSON NEWSPAPERS the Toronto-based North American newspaper chain owned by Lord Kenneth Thomson, earned C$18.8m or 38 cents a share in the first quarter against C$15.5m or 31 cents a year earlier, on revenues of C$141m (U.S. $117m).

The figures for both years include FP Publications, the Canadian group including the Toronto Globe and Mail.

Higher profits and revenues are expected for the rest of the year. The company owns well over 100 newspapers in Canada and the U.S. and plans further acquisitions.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, June 11.

Closing prices on May 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15⅞ 86 (WW)	55	98½	98⅞	−0⅛	+0⅜	15.68
Amoco 13¾ 88	75	91½	92	0	+1	15.25
CIBC 14½ 84	185	96⅜	96⅞	0	−0⅜	16.06
CNE 12¾ 91	100	85⅝	86⅛	0	−0⅜	15.63
Citicorp O/S Fin. 10 86	300	81⅛	81⅝	−0⅛	+0⅜	15.50
Citicorp O/S Fin. 12 87	200	86⅛	86⅝	0	+1⅜	15.44
Con. Illinois O/S 9¾ 86	150	80	80½	−0⅛	+1⅜	15.60
Dupont Canada 13½ 91	65	91	91½	−0⅛	+1⅜	15.24
EEC 11 85 (August)	70	75⅞	76⅜	0	+1⅜	15.16
EIB 12⅞ 89	75	86⅞	87⅜	0	+0⅜	15.69
Eldorado 13¾ 86	50	91⅞	92⅜	0	0	15.65
Elec. de France 10 88	125	76⅞	77⅞	0	+0⅞	15.50
Elec. de France 13 88	125	89⅝	90⅛	0	+0⅜	15.46
Export Dv. Cpn. 9½ 86	150	79⅝	80⅛	+0⅛	−0⅜	15.87
Fed. Bs. D. 12¾ 85 (N)	50	89	89½	0	−0⅛	15.68
Fin. Exp. Credit 10½ 85	50	83⅜	83⅞	0	+0⅜	16.21
Finland, Rep. of 9½ 86	100	78½	79	−0⅜	−0⅛	16.13
Ford Credit O/S 14⅝ 83	150	95⅞	96⅜	0	+0⅜	16.47
Ford Cr. O/S Fin. 16 84	150	99⅝	100⅛	+0⅛	+1⅛	15.96
Gaz de France 13½ 88	80	93¾	94¼	0	+0¼	15.32
GMAC O/S Fin. 12 87	100	85	85½	0	+0⅜	15.78
GMAC O/S Fin. 12⅞ 88	100	88⅜	88⅞	−0⅛	+1⅝	15.69
Gen. Mtrs. O/S 11¾ 87	100	85	85½	+0⅛	+1½	15.48
Genstar 14¾ 91	50	97⅝	98⅛	0	+1	15.16
GTE Fin. 13⅝ 86 (WW)	50	93½	94	0	−0⅛	15.67
Hudson's Bay 11½ 90	75	80	80½	0	+1⅜	15.71
IBM Wld. Trade 12½ 88	200	92⅜	92⅞	0	+1½	14.24
Newfoundland 13½ 90	60	89	89½	0	+0⅜	15.81
Nova Scotia 10¾ 90	50	77⅜	78⅜	0	+1	15.38
OKB 10 85	50	83⅝	84⅛	0	+0⅞	15.45
Ontario Hydro 13¾ 91	100	90⅞	91⅜	0	+1⅜	15.27
Quebec Hydro 11½ 92	100	77½	78	0	+0½	15.82
Queb. Hy. 13 91 (WW)	100	86⅞	87⅜	+0⅛	+0⅞	15.62
Royal Bk. Canada 14 85	100	95⅛	95⅝	0	−0⅛	15.39
SNCF 12⅞ 85	50	91¾	92¼	+0⅛	+1⅜	15.18
SNCF 13 91	75	89½	90	0	+0⅛	15.04
Sth. California Ed. 14 87	50	94⅜	94⅞	−0⅛	−0⅜	15.43
Sven Handelsbk. 13¾ 88	45	92	92½	+0⅛	+0½	15.64
Sweden 12⅞ 85	150	89	89½	+0⅛	+0⅝	15.92
Swed. Ex. Credit 12 83	50	91⅜	91⅞	0	−0⅛	16.41
Swed. Ex. Credit 13 86	75	89½	90	−0⅛	0	16.23
Toronto-Dom. Bk. 14 84	50	95½	96	0	+0⅛	15.90
Tribune O/S Fin. 14 88	50	94⅛	94⅝	0	+0¼	15.70
World Bank 9¾ 85	200	83⅞	84⅜	0	+1⅜	15.23
World Bank 10¼ 87	300	80⅝	81⅛	−0¼	+1⅜	15.28

Average price changes... On day 0 on week +0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96⅞	97⅜	−0⅛	+0⅜	10.45
Austria, Rep. of 8¾ 92	150	86⅞	87⅜	0	−0⅛	10.18
CECA 7⅞ 92	150	86⅝	87½	−0⅛	0	9.80
CECA 10 91	120	99⅝	100⅛	0	−0⅛	9.99
CII-Honeywell 8⅞ 90	125	89⅝	90½	0	+0⅛	10.06
Council of Europe 10 91	100	98⅝	99⅛	0	0	10.20
EIB 8½ 90	200	88⅝	89⅛	+0⅛	−0⅛	10.37
EIB 10½ 91	200	100⅝	101½	+0⅛	+0⅜	10.30
ESCOM 9⅞ 87	100	92¾	93½	−0⅛	+0½	10.75
Finland, Rep. of 10 89	100	96⅝	97⅛	−0⅛	+0⅛	10.57
Iberduero SA 9 90	100	91½	92¼	−0⅛	−1⅜	10.40
Ind. Bk. Finland 8½ 90	50	89½	90¼	−0⅛	+0½	10.20
Int.-Am. Dv. Bk. 10 91	100	98⅝	99⅛	−0⅛	0	10.19
Japan Air Lines 8⅛ 87	100	90¼	91½	0	+0⅛	10.03
Japan Dev. Bank 7⅞ 87	100	88⅝	89⅜	−0⅛	+0½	10.05
Kobe, City of 8 90	100	88⅝	89⅛	0	+0⅛	9.92
Midland Int. Fin. 8½ 90	180	90⅝	91⅛	0	−0⅛	10.05
Nuclebras 9¾ 88	100	88¼	89	−0⅛	−2⅛	12.15
OKB 8⅛ 92	150	86	86⅝	−0⅛	−0½	10.36
Oslo, City of 8¾ 90	80	94⅜	95⅛	−0⅛	−0⅜	9.65
Venezuela, R. of 9¾ 90	160	93⅝	94¼	+0⅛	+0⅛	10.77
World Bank 8 90	700	86	86⅝	0	0	10.35
World Bank 10 86	150	100¼	100⅞	0	−0⅜	9.86

Average price changes .. On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94⅞	95⅞	−0½	−0½	7.22
BFCE 6½ 91	100	97	97⅜	−0⅜	−1	6.91
Bayer Int. Fin. 5¾ 92	100	89	89¾	0	−0½	6.64
Bergen, City of 6⅝ 91	40	97⅞	98⅛	−0½	+3⅜	7.03
Buhrm'-Tetterode 7 90	40	98½	98¾	−0⅛	−0⅞	7.21
CECA 6¾ 91	80	95⅛	95⅝	−0¼	−0½	7.44
Denmark 5⅝ 90	83	85⅞	85⅝	−0⅛	+1⅜	8.05
Dome Petroleum 5¾ 91	100	92⅝	92⅞	−0⅛	+0⅛	6.79
Elec. de France 5¾ 90	100	89¼	89¾	+0⅛	−1	6.80
Eurofima 5¾ 92	80	†98	99	0	0	5.93
F. G. H. Hypo. Bk. 6 90	50	90⅝	90⅞	−0⅛	−0½	7.43
Finland, Rep. of 5⅝ 90	80	86¼	86⅝	0	+1	7.71
Franc. Petroles 6½ 91	80	96½	96¾	−0½	+0⅞	6.98
Genstar 7 91	100	†100	100¼	+0⅛	+0⅜	6.98
Int.-Amer. Dv. Bk. 7 91	100	98⅝	98⅞	+0⅛	+0⅜	7.18
Japan Dev. Bank 5¾ 90	100	91¼	91½	−1½	−0½	7.03
Mt. Blanc Tunnel 5½ 90	80	86½	87	−4⅞	0	7.52
Nawaq 5¾ 90	80	90½	91	+0½	−0½	7.16
OKB 7 93	100	98⅝	98⅞	0	+0⅜	7.16
Oslo, City of 5⅞ 90	80	91⅜	91¾	+0⅛	−1½	7.14
Philips Lnmos 5¾ 92	100	87⅞	88	−0⅛	−0⅜	6.83
Swed. Ex. Cred. 7¾ 91	75	97⅞	98⅛	0	+0⅜	7.54
Trade Dev. Fin. 6½ 90	60	90¼	90½	−0⅛	+0¼	7.59
Voest-Alpine 5¾ 90	80	86¼	86½	−0⅛	−3⅞	7.85
World Bank 6 91	100	91⅛	91⅜	−0⅛	+0⅛	7.28
World Bank 7 90	100	99⅞	100⅜	−0⅛	0	7.00

Average price changes... On day −0⅜ on week −0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	97⅞	98½	−0⅞	−0⅜	8.51
Australia 6½ 88	20	87	88	+0⅛	+0⅛	8.99
EIB 7¾ 89	12	93⅜	94¼	0	−0½	8.83
Finland 5.6 83	10	92⅜	93⅛	0	+0⅛	8.90
Finland 6.8 88	10	87½	88½	0	−0⅛	9.21
Finland, Rep. of 8½ 87	15	98½	99½	0	−0⅛	8.59

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	89	90	0	0	13.58
CIBC 13½ 85 C$	50	†92¾	93¾	0	+0⅜	15.91
CIBC 11½ 85 C$	60	88	88½	−0⅛	+0⅛	15.49
Federal Dev. 11½ 90 C$	60	†80¼	81¼	−0⅛	−1⅛	15.55
First Can. Inv. 10 84 C$	50	†84½	85½	−1½	−0½	16.76
R. Bk. Canada 10 86 C$	40	89	89½	−0⅛	+0⅛	13.08
Tordom Cpn. 13½ 85 C$	30	†93	94	0	+0½	15.81
M. Bk. Dnmk. 9 91 EUA	25	90⅝	91⅜	0	+0⅛	10.39
SOFTE 8⅛ 89 EUA	40	88¼	89¼	0	+1½	10.40
U. Bk. Nwy. 9½ 90 EUA	18	97	98	0	−0⅛	9.93
Algemene Bk. 10⅛ 86 Fl	60	96	96½	+0⅛	+1	11.28
Bk. Mees & H. 10 85 Fl	75	96	96½	0	0	11.13
Heineken NV 10 87 Fl	100	93¾	94¼	0	−0⅛	11.39
Nat. Nedrlndn. 10 88 Fl	60	93⅛	93⅝	+0⅛	+0⅛	11.44
Ned. Midd. Bk. 10 85 Fl	75	95½	96	0	−0⅛	11.26
Pierson 10⅛ 86 Fl	50	96⅛	96⅝	+0⅛	+0⅞	11.24
Air France 14½ 86 FFr	200	94⅞	95⅞	−0⅜	−3	15.90
Bk. America 14½ 86 FFr	250	95⅜	96⅜	0	−2⅛	15.75
Charb'nages 13⅞ 85 FFr	400	93	94	0	−3⅞	15.90
EIB 14⅛ 88 FFr	300	94⅛	95⅛	0	−3⅛	15.42
La Redoute 14⅝ 85 FFr	125	93	94	−0⅛	−2½	16.41
OKB 14 86 FFr	400	93⅞	94⅞	0	−3⅝	15.71
Solvay et C. 14⅝ 86 FFr	200	100⅞	101⅞	0	−1⅜	14.30
Swed. Ex. C. 14⅜ 86 FFr	250	93⅞	94⅞	−0⅛	−3⅛	16.35
U. Mex. Sts. 14 85 FFr	150	93¼	94¼	−0⅛	−2⅛	16.02
Acona 14 85 £	20	94	95	0	−0⅛	15.70
Beneficial 14⅝ 90 £	20	90⅛	90⅞	−0⅛	−0⅞	16.21
BNP 13½ 91 £	15	93⅜	93⅞	−0⅜	−0⅞	14.76
CECA 13½ 88 £	20	93⅞	94⅜	0	−0⅜	14.77
Citicorp O/S 13½ 90 £	50	93⅝	94⅛	0	−0⅝	14.73
Fin. Ex. Cred. 13¾ 86 £	15	95⅜	95⅞	−0⅛	−0⅛	14.93
Gen. Elec. Co. 12⅞ 89 £	50	91¼	92	−0⅛	−0⅛	14.32
Hiram Walker 14¼ 86 £	25	95½	96½	0	−0½	15.41
Privatbanken 14½ 88 £	12	94⅜	95⅜	+0⅛	−0⅛	15.69
Rothschild 14¾ 90 £	12	96⅜	97⅛	0	+0⅞	14.88
Royal Trustco 14 86 £	12	96⅞	97⅜	0	−1⅛	14.79
Swed. Ex. Cr. 13⅝ 86 £	20	96⅛	96⅞	+0⅛	−0⅛	14.77
Banobras 8¾ 90 KD	7	†90	90½	0	0	9.94
CCCE 8⅛ 91 KD	10	†82⅜	83⅛	0	0	11.03
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.68
Akzo 9¼ 87 LuxFr	500	85⅛	86⅛	0	+0⅛	12.61
Euratom 9¼ 88 LuxFr	500	89⅝	90⅝	0	−0⅛	12.05
Eurofima 10½ 87 LuxFr	500	92½	93½	+0⅛	−0⅜	12.09
EIB 9¾ 88 LuxFr	600	90⅝	91⅛	0	+0¼	11.77
Volvo 9¾ 87 LuxFr	500	86⅝	87⅝	0	0	12.86

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	98⅞	99⅜	2/7	16⅝	16.77
Bank of Montreal 5¼ 90	0¼	99⅛	99⅝	18/6	19½	19.62
Bank of Tokyo 5⅛ 89	‡0⅛	97⅞	98⅜	25/7	16½	16.82
BBL Int. 5 86	0¼	99⅛	99⅝	20/5	18½	18.58
BNP 5½ 88	‡0⅛	98½	99	29/7	16.44	16.65
CNT 5¼ 86	§0¼	99	99½	16/10	16.81	16.94
Christiania Bk. 5½ 91	‡0⅛	97⅜	97⅞	6/8	17.31	17.73
Citicorp O/S F. 84	‡0	†99	99½	30/5	16⅞	17.00
C. Itoh 5⅛ 87	0¼	98⅜	98⅞	18/9	15.44	15.65
Co-operative Bk. 5 88	0¼	98⅜	98⅞	15/5	15⅛	15.46
Den Norske Credit 5 90	‡0¼	98¼	98¾	6/8	17.31	17.58
Genfinance 5¼ 87	0⅛	98⅜	98⅞	30/10	16.94	17.17
Giro und Bank 5⅛ 91	‡0¼	97⅝	98⅛	23/6	14.06	14.37
GZB 5½ 89	‡0⅛	98⅛	98⅝	1/8	17.31	17.60
Ind. Bank Japan 5¼ 87	0¼	98⅝	99⅛	15/10	17.06	17.26
Ind. Bank Japan 5¼ 88	0⅛	98	98½	9/10	16.44	16.73
Lloyds Eurofin 8 90 £	0⅛	96⅝	97⅛	3/7	14½	14.97
Lloyds Eurofin 5⅛ 92	0¼	98½	99	4/6	17⅛	17.47
LTCB Japan 5¼ 86	0⅛	99⅝	100⅛	13/6	20.19	20.16
Man. Hanov. O/S 5¼ 94	‡0⅛	98½	99	30/5	17	17.22
Merrill Lynch O/S 87	0⅛	99⅞	100⅜	7/8	20.44	20.41
Midland Int. Fin. 5¼ 92	0⅛	98⅜	98⅞	5/6	17.19	17.43
Midland Int. Fin. 5 91	0¼	97½	98	30/10	16.81	17.20
Nacional Fin. 6¼ 86	0⅛	98⅞	99⅜	25/7	17⅝	17.91
Nacional Fin. 5½ 88	0⅛	96⅞	97⅜	25/9	14⅝	15.35
Nat. Bk. Canada 5⅛ 88	0⅛	97⅜	97⅞	24/9	14½	14.89
Nat. West. 5¼ 94	§0⅛	97⅛	97⅝	14/10	16.19	16.62
Nat. West. 5¼ 92	§0⅛	97⅜	97⅞	23/10	16.81	17.22
Pemex 6 91	0⅛	96½	97	8/10	15.31	15.83
Sparebanken 6 87	0⅛	98⅞	99⅜	19/6	19⅝	20.05
Standard Chart. 5¼ 90	0⅛	98	98½	3/9	17.06	17.37
Svenska Hndlsbk. 5 87	0⅛	99	99½	15/7	17.81	17.95

Average price changes.. On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	96½	98	0	20.88
Canon 6¾ 95	1/81	829	164⅜	165⅜	+10⅜	5.12
Credit Suisse 4¾ 93	10/79	1238	89	91	0	2.15
Digicon Fin. 8½ 95	10/81	29.5	†112½	113½	−0⅛	−0.88
Hanson O/S Fin. 9½ 96	8/81	2.74	90	90⅞	−0⅜	9.43
Ina Overseas 8¾ 2000	4/81	42	†100	101	+0½	−1.56
Inchcape 8 95	2/81	4.55	88	89½	−1⅛	−0.55
Kotobukiya Co. 7 96	4/81	619	†91½	92	−2⅜	−6.55
Marion Int. Fin. 9 95	12/80	15.5	†82	83	−0⅛	29.43
Matsushita El. 7½ 95	11/80	590	102½	103½	−4	0.07
MEPC 8⅛ 96	2/81	2.47	91½	93	−1½	11.90
Nissho-Iwai Co. 8 96	10/80	398	†76	78	−1	1.12
Ricoh 6⅝ 95	8/80	604	121⅛	122	−1⅞	6.17
Sumitomo M. Ind. 7 95	2/81	481	†128	129	−0⅜	3.87
Swiss Bk. Cpn. 6⅛ 90	9/80	200	74⅜	75⅜	+1⅛	22.85
Taylor Woodrow 8⅜ 90	1/81	4.94	105	106⅛	0	3.28
Tokyu Land Cpn. 7⅜ 96	4/81	325	†98	99	−1⅜	4.62
Transco Int. 8¾ 95	2/81	68	†83½	84½	0	17.46
Tricorp 8½ 95	12/80	31.25	†81½	82½	+0⅛	26.93
Union Bk. Switz. 5 89	2/80	70.79	71¼	73¼	−1½	2.49
Fujitsu 5 84 DM	7/79	431.5	186½	187½	+1⅞	−0.46
Sharp Cpn. 6½ 96 DM	9/80	595	179⅝	180⅝	+8	3.67
Uny Co. 6½ 85 DM	11/79	879.3	106	107	−6⅜	−0.29

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AMERICAN QUARTERLIES

ANDERSON CLAYTON

	1980-81	1979-80
Third quarter	$	$
Revenue	499.2m	433.8m
Net profits	14.1m	15m
Net per share	1.13	1.15
Nine months		
Revenue	1.45bn	1.29bn
Net profits	33.4m	39.6m
Net per share	2.64	2.98

H. F. AHMANSON

	1981	1980
First quarter	$	$
Revenue	365.8m	329.2m
Net profits	2.1m	20.7m
Net per share	0.09	0.90

ARA SERVICES

	1980-81	1979-80
Second quarter	$	$
Revenue	760.6m	693m
Net profits	12.6m	15.7m
Net per share	1.11	1.29
Six months		
Revenue	1.48bn	1.39bn
Net profits	28.4m	33.7m
Net per share	2.51	2.75

GENSTAR

	1981	1980
First quarter	C$	C$
Revenue	430.9m	413.4m
Net profits	21.2m	20.1m
Net per share	0.53	0.58

WALTER E. HELLER

	1981	1980
First quarter	$	$
Revenue	212.8m	184.1m
Net profits	10.6m	9.8m
Net per share	10.6m	9.8m

HOUSEHOLD FINANCE

	1981	1980
First quarter	$	$
Revenue	4.24bn	4.23bn
Net profits	23.9m	32.3m
Net per share	0.48	0.66

LINCOLN NATIONAL

	1981	1980
First quarter	$	$
Revenue	719.9m	646.7m
Net profits	32.6m	36m
Net per share	1.50	1.66

MOORE CORP.

	1981	1980
First quarter	$	$
Revenue	456.7m	443m
Net profits	30.2m	27.9m
Net per share	1.06	1.00

PACIFIC POWER AND LIGHT

	1981	1980
First quarter	$	$
Revenue	310.9m	242.7m
Net profits	48.2m	33.7m
Net per share	0.89	0.68

REPUBLIC AIR

	1981	1980
First quarter	$	$
Revenue	351.1m	169.8m
Net profits	†15.2m	†13.8m
Net per share	†0.73	†0.67

† Loss.

SANTA FE INTERNATIONAL

	1981	1980
First quarter	$	$
Revenue	390.2m	228.9m
Net profits	45.1m	13.1m
Net per share	0.93	0.30

HIRAM WALKER

	1980-81	1979-80
Second quarter	C$	C$
Net profits	69m	64m
Net per share	0.90	0.83
Six months		
Revenue	1.56bn	1.42bn
Net profits	152.2m	131.9m
Net per share	2.16	1.82

WHITE CONSOLIDATED

	1981	1980
First quarter	$	$
Revenue	555.1m	529.7m
Net profits	19.9m	13.9m
Net per share	1.14	0.96

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Atlas Copco up 13% in first period

By William Dullforce, in Stockholm

ATLAS COPCO, the Swedish compressed air and hydraulic equipment manufacturer, reports a 13 per cent increase in first quarter earnings on sales ahead by 19 per cent to SKr 1.6bn ($335m).

The pre-tax profit was SKr 148m ($30.8m), giving a profit margin of 9.2 per cent compared with 9.7 per cent for the corresponding period of 1980.

Mr. Tom Wachtmeister, the managing director, says he has good reason to believe that the group will maintain the same level of profitability in 1981 as that achieved last year, when earnings came out at SKr 442m on a SKr 6.2bn turnover.

Although the recession in Western Europe was expected to last through the year, Atlas Copco was firmly established on growing markets outside the West, where sales efforts should give good results, Mr. Wachtmeister added.

The return on total capital employed in the 12 months to the end of March was 18 per cent compared with 16.9 per cent for 1980 as a whole. The order intake during the first quarter amounted to SKr 1.84bn, an advance of 14 per cent on the first three months of 1980.

Sales outside Sweden accounted for 91 per cent of the total during the January to March period and while sales to the mining and construction sector remained high, demand was weaker in manufacturing industry.

Profits decline at Siemens quickens

BY STEWART FLEMING IN FRANKFURT

THE DECLINE in the profitability of Siemens, West Germany's largest industrial company and one of the world's leading electrical equipment manufacturers, accelerated in the second quarter of its current financial year.

Figures released by the company yesterday show that in the six months to March 31, 1981, profits after tax fell by 17½ per cent to DM 266m ($116m) in spite of a 6 per cent rise in sales revenues to DM 15.9bn.

But whereas profits in the first quarter showed a 16 per cent decline, in the second quarter the fall extended to 21 per cent.

Profit margins between the two quarters declined slightly from 1.8 per cent of sales to 1.7 per cent. Thus, in spite of economies, the company has still been unable to prevent the squeeze on its profit margins from intensifying.

Siemens had already indicated that the current financial year was promising to be a difficult one, and the indications now are clearly suggesting that it will be the third consecutive year in which the company will report declining profits.

The company indicated yesterday that the weakness of the domestic economy is continuing to burden its performance. Sales revenue inland were unchanged at DM 7.3bn and its domestic order intake was only 2 per cent higher.

In contrast, sales in its overseas operations rose 12 per cent to DM 8.6bn and new orders by 24 per cent to DM 10.8bn.

But Siemens points out that foreign orders are being won at unsatisfactory profit margins as a result of intense competition and that the rate of increase in orders in part reflects a declining value of the D-Mark so the real volume increase is lower.

BfG earnings reduced

BY OUR FRANKFURT STAFF

THE BURDEN of low fixed interest loans at a time of sharply rising financing costs has bitten deeply into the profits of Bank für Gemeinwirtschaft (BfG), the trade union-owned West German banking group.

The bank reported yesterday that its earnings had slumped in 1980 by some 40 per cent, its worst ever performance, and that as a result payments to its holding company fell from DM 171.2m to DM 102.3m ($44.6m). Consolidated assets rose from DM 54.5bn to DM 60.5bn.

Separately, the Hessische Landesbank, the tenth largest bank in the Federal Republic, reported a rise in 1980 operating results of 6 per cent to DM 101m in spite of the difficult conditions in the banking industry. The bank is again putting net earnings of DM 65m into reserves and passing the dividend.

Iveco close to axles deal with Rockwell

By Our Rome Correspondent

IVECO, the heavy vehicles concern based in Amsterdam and controlled by Fiat, is close to agreeing a $200m joint venture with Rockwell of the U.S. to produce rear axles at its Cameri plant near Novara.

The project, of which it is understood that only a few details remain to be settled, is a key element in the strategy of Iveco, Europe's second largest truck manufacturer, to achieve economies of scale and cement its current financial recovery.

Iveco consists of Fiat's own heavy vehicle division, those of Lancia and OM, another Italian manufacturer, as well as Unic of France and Magirus-Deutz of West Germany. Total sales in 1980 reached almost L4,100bn ($3.6bn), but total debt stands at around L2,000bn.

Although last year produced another overall loss, Sig. Giorgio Manina, Iveco's managing director said yesterday that on the basis of results in the first four months of 1981, the concern should at least break even and probably report a small profit for this year.

This reflects a sharp upturn in the fortunes of its Magirus offshoot plus cost-cutting measures and the sharp drop in the lira's exchange rate against the dollar.

Iveco is now aiming at the quotation of its shares on several European stock exchanges by 1985, assuming its present return to profitability can be maintained.

SHARP RISE IN BORROWINGS

Fiat's operating losses mount

BY RUPERT CORNWELL IN TURIN

AN INCREASE in net profits for 1980, from L39bn to L51bn ($44m) is reported by Fiat SpA, the holding company of the Italian motor group, despite combined operating losses by its various divisions totalling L188.5bn ($164m).

The company is planning to pay a dividend of L125 a share on capital doubled to L337.5bn from L165bn. The payment is worth L250 on the old capital base for which a dividend of L185 was paid in 1979.

The holding company's earnings are struck after allowing for a string of losses among subsidiaries, notably in the car division where an improved share of the domestic market could not make good a 16 per cent drop in exports. Fiat lost L130.4bn ($113m) on car manufacturing, compared with L97bn in 1979.

The second major problem area was steel, where the group's Teksid division lost L43.4bn. The earth-moving equipment side, represented by Fiat-Allis of the U.S., lost $49m in 1980, reflecting a deficit of $55m on its North American business.

Useful profits, however, were reported by components (L32.2bn overall, compared earnings of L27.3bn in 1979), by civil engineering and in aerospace and telecommunications.

The company also discloses a sharp rise in borrowings. Group debt at the end of last year totalled L7,200bn, which is an increase of 26 per cent over end-1979. Fiat blames the cost of financing unsold stocks, primarily cars, for the upsurge.

The prospects for 1981 as laid out by yesterday's Fiat SpA board meeting, are mixed. Although IVECO, the group's lorry-division, is expected to end a series of recent losses, the directors warned that the world car market had deteriorated still further in the first quarter of this year—with obvious implications for exports of Fiat vehicles.

Nonetheless, a relatively buoyant home market (where Fiat delivered 255,000 units between January and March) and an improvement in the company's share of some leading West European countries, means that its overall share of European markets has climbed to 13.4 per cent from 12.8 per cent of 1980 as a whole.

As for the steel industry, Fiat reckons that its performance in the first three months was roughly on a par with that of a year earlier.

Investments by the group in 1980 were practically unchanged at L960bn, while efforts to cut overheads and reduce labour costs were rewarded by a decline in the total Fiat labour force to under 343,000 from almost 358,000 12 months earlier.

To strengthen its finances and consolidate part of its current debt, the holding company is planning a L200bn floating rate bond. Also, for the first time, the company will offer 5m shares from its own portfolio to Fiat employees.

According to senior company officials yesterday, Fiat SpA's basic profits were around L275bn in 1980, deriving from dividends from subsidiaries and other financial activities. But, after allocations to reserves, and the adjustment to cover operating losses, the final earnings came out at L51bn.

BASF margins under pressure

BY KEVIN DONE IN FRANKFURT

BASF, one of the world's leading chemicals companies, managed to boost turnover by 11 per cent in the first quarter of 1981 as a result of higher prices and the weakness of the D-Mark against the U.S. dollar.

Volume sales worldwide stagnated at last year's level, while domestic output of the West German group was lower and profit margins are under increasing pressure.

The group, which cut its dividend for 1980, suffered a fall of 8.8 per cent in pre-tax profits in the first quarter to DM 446m ($194m) compared with DM 489m for the first three months of 1980. Group turnover grew by 11 per cent to DM 8.1bn from DM 7.3bn in the first quarter of 1980.

The parent company was hit particularly hard by rising costs and the inability to increase prices because of weak demand. Turnover grew by only 1.8 per cent to DM 3.66bn—domestic sales actually fell by 1 per cent, while exports, which account for 58.3 per cent of parent company sales, rose by 3.9 per cent. Parent company profits slumped by 29.7 per cent to DM 180m compared with DM 256m in the first three months of 1980, the strongest quarter in BASF's history.

The fall in parent company profits is due above all to the "drastic" increase in petrochemicals raw materials costs, BASF said yesterday, which particularly in the West German market could not be compensated by higher product prices.

BASF's profitability outside Western Europe and particularly in North America is expected to recover strongly this year following the costs run-up in the restructuring of the loss-making BASF Wyandotte subsidiary in the U.S.

BASF is shutting down chlorine production in the U.S., is withdrawing from the sodium bicarbonate market and has also closed some dyestuffs plants. The costs of reorganising and reducing BASF Wyandotte left the U.S. subsidiary with pre-tax losses of $76.8m.

BASF made pre-tax losses of $14m on its consolidated North American operations last year on a turnover of $1.8bn, but the group is confident of increasing sales in its largest overseas market by around 15 per cent this year to $2bn - $2.1bn, generating pre-tax profits of $70 - $75m.

For the whole group, BASF is forecasting an increase of around 7 per cent in turnover in 1981 with a rise of around 2 per cent in volume sales.

BASF is pressing ahead with its capital expenditure programme of DM 1.95bn this year, an increase of DM 100m over 1980. A major aim of the spending plans is to assure the supply of raw materials, energy and basic products for BASF operations, but the company is also expanding some consumer product manufacture and is substantially increasing video tape manufacturing capacity.

WestLB payout unlikely after drop in income

By Our Frankfurt Staff

WESTDEUTSCHE Landesbank, Germany's third largest commercial bank, reports a sharp drop in profits for 1980. It also became clear yesterday that the bank is unlikely to pay a dividend.

Group profits have plunged to DM 61m ($26.6m), a decline of some two-thirds from the DM 188m achieved for 1979. The bank's owners include the state of North Rhine-Westphalia and this region's savings banks associations and local authorities.

In response to speculation, WestLB said that a special audit had not been set in motion but that some additional information on specific points had been requested from the auditors.

The bank said that speculation that it had incurred losses domestically and internationally were "false."

It added that it had written down its securities by DM 188m, the same amount as in 1979, but that these write-downs provided reserve potential for the future.

It added, too, that it had taken account of all discernible risks in determining its profits both in relation to its shareholders and lending.

If, as expected, WestLB does use its earnings to strengthen reserves rather than pay a dividend it will join Commerzbank as the only one of the largest German banks who have been unable to pay a dividend for 1980.

The poor performance last year is likely to spark political criticism of the bank, particularly as the shareholders have been asked to put in an additional DM 200m of equity capital.

Ciba-Geigy to be flexible on dividends

By John Wicks in Zurich

CIBA-GEIGY, the Swiss chemical group, is to adopt a more flexible dividend policy, said Dr Louis von Planta, chairman, at the annual general meeting in Basle.

In future, shareholders will "participate more directly in the results," Dr. von Planta declared, adding that this year it ought to be possible to reverse Ciba's recent downward trend in profits. The company was considering an extension of what he called the current-value concept to dividends. This would mean that, given sufficient profits, the company would make good shareholders losses in purchasing power through inflation.

Ciba, which traditionally adheres to a conservative dividend policy, is to pay an unchanged dividend of SwFr 22 a share for 1980 following maintained parent-company net profits of SwFr 126.6m ($60.9m) against SwFr 127m previously.

Paper-making division keeps KNP in the red

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH paper and board maker, Kon. Nederlandse Papierfabrieken (KNP), forecast a loss in the first half of 1981 due largely to the poor performance of its paper-making division.

Demand recovered in the first quarter in both paper and packaging divisions from the low level of the fourth quarter of 1980, though the company was still not working at full capacity. Higher energy prices and the firmness of the dollar meant, however, that the paper group faced sharply higher costs which could not be passed on fully in sales prices and a considerable loss was made.

The profitability of the packaging activities recovered strongly from the low point of the fourth quarter, however, and a satisfactory result was achieved. Overall the first quarter operating result was better than that of the preceding quarter but losses were still so high that the first half will show a loss.

It earlier reported a sharp fall in its operating profit to Fl 179,000 ($70,000) in 1980 from Fl 11.1m the year before. At the net level it reduced its loss to Fl 14.3m from Fl 24.1m on sales 11 per cent higher at Fl 1.07bn.

It last paid a dividend of Fl 5 per Fl 25 nominal share—in 1974.

● High tendering costs for overseas contracts pushed HVA, the Dutch agro-industry group, in to the red in 1980. The company is unable to forecast profit developments in 1981 but a number of major contracts signed in recent months will not start producing profits until 1982 at the earliest.

HVA booked an operating loss of Fl 674,000 ($264,000) compared with a profit of Fl 542,000 for 1979. The agro-industrial sector moved into the red while profits were sharply down in the sugar chemicals division.

STRONG DEMAND BOOSTS JAPANESE GROUPS

Records for machine tool makers

BY YOKO SHIBATA IN TOKYO

TWO MAJOR Japanese machine tool manufacturers, Okuma Machinery Works and Makino Milling Machine, lifted earnings strongly in the year to March 31, reflecting a strong demand arising from industry reorganising itself and undertaking labour-saving investments.

Okuma Machinery Works, a pioneer in numerically controlled machine tools, posted operating profits of Y8.84bn ($40.2m), up 51.1 per cent on the previous year. Net profits were Y4.05bn, up 11.2 per cent, on sales 40.8 per cent higher at Y53.34bn ($243m). All figures were records. Per share profits came out at Y43.82 against Y44.22 reflecting a scrip issue.

The company has increased the ordinary dividend from Y5 a share to Y6.5, with the increase including a Y0.5 a share special payment.

Okuma's machine tool sales rose by 42.5 per cent to Y49bn, to account for 92.5 per cent of the total sales. Numerically controlled lathes accounted for Y43bn of sales, a 41 per cent rise.

Exports grew by 45.6 per cent to make up 37.3 per cent of turnover. The U.S. was a major market for its output.

Machine tool orders received during the year totalled Y53.5bn, up 40.8 per cent. However, Okuma's order backlog gained 52.4 per cent, to reach Y12bn, reflecting its inability to keep the rate of production in step with the growth in orders. The backlog for numerically controlled lathes gained by 66 per cent to Y9.7bn.

For the current year Okuma's operating profits are projected at Y9.2bn, a 4.1 per cent rise, while net profits are expected to grow by 3.6 per cent to Y4.2bn on a projected turnover 5 per cent higher at Y56bn.

The company plans to begin manufacturing numerically controlled lathes in the U.S. this fiscal year, and overall capital spending is estimated at Y6bn.

Makino Milling Machine also achieved record profits and sales for the year because of favourable sales of machining centres and milling machines.

Makino's operating profits increased by 33.6 per cent to Y4.92bn. Net profits jumped 52.9 per cent to Y2.6bn on sales ahead by 20.4 per cent to Y27.08bn. Per share profits were lifted to Y49.57 from Y38.68.

Milling machine sales increased by 24 per cent to account for 22.1 per cent of the total turnover. Sales of numerically controlled machines advanced by 5 per cent to make up 37.2 per cent of the total, while machining centres jumped by 57.3 per cent.

Exports — centred on the U.S., Europe and Australia — rose by 32 per cent to account for 26 per cent of the turnover.

The repayment of part of the company's borrowings with the funds received from a public share offering partly contributed to the earnings improvement.

For the year to March 1982, Makino expects sales to increase by 18 per cent to Y32bn as a result of an increased overseas sales network. Operating profits are projected to increase by 16 per cent to Y5.7bn and net profits to grow by 9.4 per cent to Y2.85bn.

Downturn at Bata India

By P. C. Mahanti in Calcutta

BATA INDIA, the largest shoe-making concern here, has reported sharp falls in profits before and after tax in 1980.

Profits before tax fell 31.7 per cent to Rs 11.8m ($1.4m), from Rs 17.13m, and those after tax 43.6 per cent to Rs 3.38m from Rs 6m, though sales rose 13.6 per cent to Rs 1.11bn ($133m), from Rs 977m.

Heavy increases in input costs as well as in manufacturing, distribution, selling and administrative expenses reduced the profit margin.

Sime seeks U.S. partners

By Our Financial Staff

SIME DARBY, the diversified Malaysian plantations and industrial group, is seeking to expand in the U.S., mainly in manufacturing, and is looking for U.S. partners. A group [illegible] being sent to the U.S. for this purpose, led by Tunku [illegible] Yahya, Sime's joint chief executive.

It is to hold a seminar in San Francisco on June 1, to introduce the Sime Darby group to U.S. businessmen and companies, mainly from the West Coast.

Barlow Rand advances strongly

BY JIM JONES IN JOHANNESBURG

BARLOW RAND, the South African mining and industrial group, increased operating profit by 36.8 per cent to R262m ($313m) in the six months to March 31, 1981, despite difficult trading conditions and poor results in sime divisions. In the comparative period last year operating profits were R191.5m and totalled R455.2m in the year to September 30, 1980.

First-half turnover was 41.2 per cent higher at R2.09bn ($2.51bn) against R1.48bn.

The management says that "very satisfactory" results were achieved by the manufacturing and distribution division, which was not affected by adverse overseas economic conditions. In particular, the earth-moving equipment, household appliances, building materials, paint and motors division recorded good profit increases as South African capital and consumer spending continued the strong advance started in 1979.

Mining operations, particularly for chrome and asbestos, were affected by difficult trading conditions in export markets and the strength of the rand in the foreign exchanges. Export demand and prices for ferro-alloys and stainless steel suffered heavy setbacks, while domestic demand for stainless steel, which ran at high levels in 1980, had recently shown signs of falling.

Although the South African economy's growth rate is slowing, with lower gold prices and rising interest rates, the management believes there is sufficient impetus for the first-half profit growth to be maintained.

An interim dividend of 21 cents has been declared from first-half earnings of 86.7 cents a share. This compares with an interim dividend of 18 cents and earnings of 74 cents. For all of last year earnings were 176 cents a share and the dividend totalled 58 cents.

C. G. Smith shows R89m profit

BY OUR JOHANNESBURG CORRESPONDENT

C. G. SMITH, the Barlow Rand subsidiary which has its main interests in sugar, textiles, packaging and paper, achieved a pre-tax profit of R89m ($106m) in the six months to March 31 on turnover of R620.7m.

Smith took its present form last August when it acquired a 55 per cent interest in Barlow Rand's packaging subsidiary, Nampak, and disposed of its indirectly-held 33 per cent interest in sugar producer, Huletts.

Comparative pro forma figures for the first six months of 1979-80 showed a pre-tax profit of R65.6m and turnover of R464.9m.

Smith's Sugar interests contributed R12.28m, or 22.7 per cent of the group's R54.14m after-tax profit.

The 55 per cent-owned textile subsidiary, Romatex, gained strongly and contributed R14.57m to the after-tax profit —equivalent to 26.9 per cent. The management warns that there are signs of some softening in demand for the company's products. The packaging subsidiary, Nampak, was affected by strong competition and higher raw materials prices and contributed R22.86m to after-tax profit, equivalent to 42.2 per cent.

An interim dividend of 45 cents has been declared from earnings of 110 cents and a final dividend of about 65 cents is expected to be paid in January 1982. Earnings in the final six months to September 30 will be higher than those recorded in the opening half year.

APPOINTMENTS

Watney Mann finance and planning post

Mr. P. Anthony FitzSimons has been appointed finance and planning director of WATNEY MANN AND TRUMAN BREWERS. He also joins the Board of Watney International as a non-executive director. Mr. FitzSimons was financial controller of Rank Xerox's interests in France, Belgium, Spain, Portugal, Italy and Scandinavia.

★

Mr. Peter W. Mason has been appointed managing director of FARONET MOTOR ACCESSORIES, Birmingham, and Mr. D. E. Graham continues as chairman.

★

Mr. M. T. Kenyon has been appointed a director of STEWART WRIGHTSON LONDON and Mr. A. Morley-Brown a director of Stewart Wrightson Benefit Consultancy.

★

Mr. Richard Willan, Mr. Richard C. Young, and Mr. Christopher T. Wilford have been appointed directors of CHRISTIE-TYLER. Mr. Dixon J. Hubble, who is already a member of the Board, and Mr. Willan have both become assistant managing directors.

★

Mr. D. K. Furnell has been appointed a director of HOGG ROBINSON & GARDNER MOUNTAIN (MARINE) and Mr. I. R. Smith has been made a director of HOGG ROBINSON & GARDNER MOUNTAIN (NORTH AMERICAN & AVIATION).

★

Mr. P. P. Ralph, at present head of the corporate finance department of Charterhouse Japhet, will join the GENERAL ELECTRIC COMPANY as an associate director next month.

★

Mr. Michael Hall has been appointed a director of the UK division and chief executive of the northern region of ANTONY GIBBS SAGE, a subsidiary of the HONGKONG AND SHANGHAI BANKING GROUP.

★

Mr. John Morgan has joined the Board of ARUNBRIDGE.

★

Mr. Kenneth Cooper has been elected president of the INSTITUTE OF TRAINING AND DEVELOPMENT for 1981-82. Mr. Cooper is director-general of the National Federation of Building Trades Employers.

★

Mr. Michael Pickard has been made a non-executive director of COURAGE from June 1.

★

Dr. John Harwood has joined the Board of ITS RUBBER, a subsidiary of Colston Group.

★

Mr. Peter Holland has been appointed to the newly-created position of financial controller, IDC GROUP.

★

Mr. Robin H. L. Clark has been appointed commercial director of FLIGHT REFUELLING. He was formerly with Head Wrightson.

★

Mr. James L. Schoedinger has been appointed chairman and managing director of COMMERCIAL CREDIT SERVICES.

★

Mr. Kenneth Boreham, Mr. Graham Law, Mr. Robert Hall and Mr. Terence Parsons have been made partners of SIR FREDERICK SNOW AND PARTNERS. Mr. Patrick Voce and Mr. John Case have left the partnership.

★

Mr. Frank W. Knight has been appointed to the newly-created post of deputy managing director UB (BISCUITS). He was previously with Campbell's Soups.

★

Mr. Ian Plummer, chairman and managing director of City Vending Company, has been elected chairman of the AUTOMATIC VENDING ASSOCIATION OF BRITAIN. Mr. H. A. Turnbull has been re-elected treasurer of the association.

★

Mr. Jack Evans and Mr. Ian Wilkinson have joined the Board of GEORGE WILKINSON (BURNLEY) as sales director and manufacturing director, respectively. The parent concern is Metalrax (Holdings).

★

Mr. C. J. Weeks, a director of BEREC GROUP, has resigned from the company after 21 years with the group. Mr. Roger Speare has resigned as managing director of Berec (Ever Ready) and has left the group and Mr. James Tinson, sales director of Berec (Ever Ready), has left that company.

★

Mr. B. V. Day has become president of the INSURANCE INSTITUTE of London for 1981-1982 and Mr. T. J. Palmer has been elected deputy president.

★

TURNER AND NEWALL has appointed Mr. Duncan Lever to the board of its subsidiary PAYEN INTERNATIONAL. Mr. Lever is general manager of Payen International's UK operations, comprising Coopers Payen and Cork Manufacturing Company.

★

Mr. D. N. Ing has been elected chairman of the EAST SURREY BUILDING SOCIETY and Mr. J. H. Hayward vice-chairman.

★

Mr. N. F. McDonald and Mr. G. V. R. Watson have joined the board of PORVAIR in place of Mr. J. P. Donohue and Mr. W. R. Perdue who have resigned. Both are vice-presidents of Inmont Corporation, the parent company.

★

Air Marshal Sir Denis Crowley-Milling, controller of the ROYAL AIR FORCE BENEVOLENT FUND since 1975, will be succeeded on his retirement on July 6 by Air Chief Marshal Sir Alasdair Steedman.

★

Mr. James V. Bisset has been appointed chief executive of the textile division of WHITECROFT. He is a main board director.

★

Mr. Sandy Collin has been appointed chairman of THURGAR BOLLE' and BARDEX (PLASTICS), the operating subsidiaries of Thurgar Bardex.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S dollar against various currencies as of Wednesday, May 13, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.50
Albania	Lek	4.8291
Algeria	Dinar	4.1375
Andorra	Fr. Franc	5.509
	Sp. Peseta	91.17
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7035
Argentina	Peso	3201.00
Australia	Dollar	0.8763
Austria	Schilling	16.1895
Azores	Port. Escudo	60.67
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	91.17
Bangladesh	Taka	14.2001
Barbados	Dollar	2.01
Belgium	Franc (C)	37.36
	Franc (F)	38.50
Belize	Dollar	2.00
Benin	C.F.A. Franc	275.45
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	8.36
Bolivia	Peso	24.51
Botswana	Pula	0.8188
Brazil	Cruzeiro	82.73
Brunei	Dollar	2.1515
Bulgaria	Lev	0.91
Burma	Kyat	6.6445
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	275.45
Canada	Dollar	1.2006
Canary Is.	Sp. Peseta	91.17
Cape Verde	Escudo	36.51
Cayman Is	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	275.45
Chad	C.F.A. Franc	275.45
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.723
Colombia	Peso (O)	53.08
Comoros	C.F.A. Franc	275.45
Congo P'ple.Rep.of	C.F.A. Franc	275.45
Costa Rica	Colon (O)	8.60
Costa Rica	Colon	21.04
Cuba	Peso	0.7313
Cyprus	Pound*	2.4143
Czechoslovakia	Koruna (O)	5.80
Denmark	Krone	7.1985
Djibouti Rp. of	Franc	178.15
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	30.12
Egypt	Pound*	1.4493
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	182.34
Ethiopia	Birr (O)	2.0416
Faeroe Is.	Dan. Krone	7.1985
Falkland Is.	Pound*	2.0915
Fiji	Dollar	0.8457
Finland	Markka	4.396
France	Franc	5.509
Fr. C'ty in Af.	C.F.A Franc	275.45
Fr. Guiana	Franc	5.509
Fr. Pac. Is.	C.F.P. Franc	94.1908
Gabon	C.F.A. Franc	275.45
Gambia	Dalasi	1.9125
Germany (E)	Ostmark (O)	2.2857
Germany (W)	Mark	2.2867
Ghana	Cedi	2.75
Gibraltar	Pound*	2.0915
Greece	Drachma	55.70
Greenland	Dan. Krone	7.1985
Grenada	E. Caribbean $	2.7025

COUNTRY	CURRENCY	VALUE OF DOLLAR
Guadaloupe	Franc	5.509
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	37.3201
Guinea Rep.	Syli	20.9377
Guyana	Dollar	2.5528
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.4355
Hungary	Forint	32.55
Iceland	Krona	6.527
India	Rupee	8.36
Indonesia	Rupiah	629.00
Iran	Rial (O)	77.15
Iraq	Dinar	0.2999
Irish Rep	Punt*	1.5987
Israel	Shekel	9.25
Italy	Lira	1137.50
Ivory Coast	C.F.A. Franc	275.45
Jamaica	Dollar	1.7834
Japan	Yen	219.35
Jordan	Dinar	0.3285
Kampuchea	Riel	n.a.
Kenya	Shilling	8.6091
Kiribati	Aust. Dollar	0.8763
Korea (Nth)	Won	0.94
Korea (Sth)	Won	678.10
Kuwait	Dinar	0.2767
Lao P'pls D. Rep	Kip	10.00
Lebanon	Pound	4.175
Lesotho	Loti	0.8359
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	2.0685
Luxembourg	Lux Franc	37.36
Macao	Pataca	5.5873
Madagascar D. R.	Franc	275.45
Madeira	Port. Escudo	60.67
Malawi	Kwacha	0.8946
Malaysia	Ringgit	2.334
Maldive Is.	Rupee	3.93
Mali Rp.	Franc	550.90
Malta	Pound*	2.6177
Martinique	Franc	5.509
Mauritania	Ouguiya	55.09
Mauritius	Rupee	8.4818
Mexico	Peso	24.055
Miquelon	Fr. Franc	5.509
Monaco	Fr. Franc	5.509
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	5.0956
Mozambique	Metica	28.3768
Namibia	S.A. Rand	0.8359
Nauru Is.	Aust. Dollar	0.8763
Nepal	Rupee	12.00
Netherlands	Guilder	2.54
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.1325
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	275.45
Nigeria	Naira (O)	0.606
Norway	Krone	5.6599
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.87
Panama	Balboa	1.00
Papua N.G.	Kina	0.675
Paraguay	Guarani	126.00
Peru	Sol	407.40
Philippines	Peso	7.795

COUNTRY	CURRENCY	VALUE OF DOLLAR
Pitcairn Is.	N.Z. Dollar	1.1325
Poland	Zloty (O)	31.00
Portugal	Escudo	60.67
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	5.509
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	2.0915
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	5.509
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	1.012
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1137.50
Sao Tome & Pricipe DR	Dobra	38.3803
Saudi Arabia	Riyal	3.3597
Senegal	C.F.A. Franc	275.45
Seychelles	Rupee	7.0566
Sierra Leone	Leone	1.1594
Singapore	Dollar	2.1515
Solomon Is.	Dollar	0.8764
Somali Rep.	Shilling	6.295
South Africa	Rand	0.8359
Spain	Peseta	91.17
Span. Ports in N. Africa	Sp. Peseta	91.17
Sri Lanka	Rupee	18.7803
Sudan Rep.	Pound* (2)	2.00
Sudan Rep.	Pound* (1)	1.25
Surinam	Guilder	1.785
Swaziland	Lilangeni	0.8359
Sweden	Krone	4.883
Switzerland	Franc	2.0685
Syria	Pound	3.9252
Taiwan	Dollar (O)	36.47
Tanzania	Shilling	8.2716
Thailand	Baht	20.72
Togo Rep.	C.F.A. Franc	275.45
Tonga Is.	Pa'anga	0.8763
Trinidad & Tobago	Dollar	2.4063
Tunisia	Dinar	0.5039
Turkey	Lira	99.18
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8763
Uganda	Shilling	8.1935
Utd. A'b. Emir.	Dirham	3.6722
Utd. Kingdom	Pound Sterling*	2.0915
Upper Volta	C.F.A. Franc	275.45
Uruguay	Peso	10.59
U.S.S.R.	Rouble	0.7583
Vanuatu	Vatu (5)	89.0343
Vanuatu	Aust. Dollar	0.8763
Vatican	It. Lira	1137.50
Venezuela	Bolivar	4.2933
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3415
Yugoslavia	Dinar	33.0867
Zaire Rp.	Zaire	3.73
Zambia	Kwacha	0.8688
Zimbabwe	Dollar	0.6689

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2)—Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.
(4) Costa Rica—Two-tier rate effective 24/4/81.
(5) Vanuatu—100 vatu=6 1875 French francs since 1/1.81. Aust. dlr. being phased out over next two years.

$ stays strong

Dollar's continued strength reflected the firmness of Eurodollar interest rates, and expectations that today's U.S. money supply figures will show a large rise. An increase in the money supply will be regarded as an indication of even higher U.S. rates in the near future, while European currencies are under increasing pressure because of the result of the French Presidential election.

Sterling fell to another 18-month low against the dollar, but improved slightly against other currencies.

European currencies weakened against the dollar, and although the French franc improved *against the D-mark* at the Frankfurt and Paris fixings it fell below its EMS floor in late London trading.

DOLLAR — trade-weighted index (Bank of England) rose to 106.6 from 105.9. The dollar rose to DM 2.3105 from DM 2.2955 against the D-mark, to FFr 5.57 from FFr 5.5280 against the French franc, to SwFr 2.0820 from SwFr 2.0780 against the Swiss franc, and to Y222.40 from Y220.40 in terms of the Japanese yen.

STERLING — trade-weighted index (Bank of England) fell to 98.4 from 98.5, after opening at 98.3 and standing at 98.4 at noon. The pound traded within a range of $2.0625 to $2.0755 against the dollar, and closed at $2.0670-2.0680, a fall of 1.10 cents on the day, and the lowest finishing level since November 2, 1979.

D-MARK—Strongest member of the European Monetary System, but the sudden fall of the French franc has led to sales of D-marks by central banks to maintain EMS agreed limits, causing the German currency to weaken against the dollar. The rise in U.S. interest rates has also depressed the D-mark, and led to speculation about an increase in the Bundesbank special Lombard rate—The D-mark showed mixed changes at the Frankfurt fixing, losing ground to the dollar and French franc, but rising against sterling and the Japanese yen. The U.S. currency rose to DM *2.3075 from* DM 2.2860—the highest fixing since September 29, 1977—influenced by very firm Eurodollar interest rates and higher U.S. bank prime rates. Confidence in U.S. economic policy contrasts sharply with distrust of Europe following the Socialist victory in the French Presidential election, and has led to fears that all EMS currencies will continue to be pulled down by the weakness of the franc. The Bundesbank did not intervene at the fixing. *The French franc rose to* DM 41.51 per 100 D-marks, from Wednesday's fixing at the EMS intervention limit of DM 41.5050.

FRENCH FRANC—Very weak against the dollar and European currencies following the Socialist win in the Presidential election. Higher interest rates and heavy central bank support have failed to prevent the franc falling to the lowest position within the EMS—The franc improved against the D-mark, but lost ground to the very firm dollar at the Paris fixing. The 2 per cent rise to 18 per cent in the Bank of France Treasury bill discount rate gave assistance to the franc, and there was no sign of the heavy central bank intervention seen earlier this week. The D-mark has been fixed at its EMS ceiling of FFr 2.4093 every day since Monday, but eased slightly to FFr 2.4092 yesterday. The dollar rose to FFr 5.5650 from FFr 5.5125 at the fixing, but fell slightly from its opening level of FFr 5.5725, and continued to ease in the afternoon. According to latest estimates the Bank of France spent nearly FFr 9bn to defend the franc from the beginning of April until the election, and about FFr 3.2bn in the week before the election.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3537	+1.36	+1.08	±1.5361
Danish Krone	7.91917	7.96962	+0.64	+0.36	±1.6413
German D-Mark	2.54502	2.53349	−0.45	−0.73	±1.1386
French Franc	5.99526	6.10384	+1.81	+1.53	±1.3638
Dutch Guilder	2.81318	2.81871	+0.20	−0.08	±1.5159
Irish Punt	0.685145	0.693199	+1.18	+0.90	±1.6688
Italian Lira	1262.92	1260.44	−0.20	−0.20	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0625-2.0755	2.0670-2.0680	1.35-1.45c dis	−8.12	4.05-4.15dis	−7.93
Canada	2.4820-2.4940	2.4840-2.4850	1.20-1.30c dis	−6.04	4.35-4.50dis	−7.12
Nethlnd.	5.30-5.33	5.31½-5.32½	⅛c pm-¼ dis	0.28	⅞ pm-⅛ dis	0.38
Belgium	77.75-78.05	77.90-78.00	50-60c dis	−8.47	145-155 dis	−7.70
Denmark	14.99-15.03	15.01½-15.02½	3⅞-4⅞ore dis	−3.09	11½-14¼ dis	−3.41
Ireland	1.3030-1.3110	1.3035-1.3045	0.25-0.45p dis	−3.27	0.88-1.27dis	−3.30
W. Ger.	4.76-4.79	4.77½-4.78½	par-½pf dis	−0.63	¼-1¼ dis	−0.84
Portugal	125.75-127.00	126.40-126.80	80-185c dis	−11.15	205-380 dis	−9.25
Spain	190.00-191.00	190.20-190.40	125-160c dis	−8.98	405-450 dis	−8.98
Italy	2,368-2,378	2,373-2,375	20½-22½ lire dis	−10.99	60¼-63¼dis	−10.40
Norway	11.75-11.80	11.76-11.77	⅞ore pm-⅞ dis	−0.13	⅞ pm-⅞ dis	−0.02
France	11.47½-11.52½	11.51-11.52	6½-7⅞c dis	−7.29	19¾-20¾ dis	−6.96
Sweden	10.14-10.18	10.16-10.17	3½-4½ore dis	−4.57	11½-14¼ dis	−5.04
Japan	455-463	459½-460½	2.35-1.95y pm	5.61	5.75-5.25 pm	4.78
Austria	33.72-33.82	33.75-33.80	5gro pm-10 dis	−0.89	2 pm-9 dis	−0.41
Switz.	4.29-4.33	4.30-4.31	1¼-⅜c pm	1.74	2⅞-1⅞ pm	2.09

Belgian rate is for convertible francs. Financial franc 80.00-80.10. Six-month forward dollar 6.80-6.90c dis, 12-month 9.80-10.00c dis.

THE DOLLAR SPOT AND FORWARD

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0625-2.0755	2.0670-2.0680	1.35-1.45c dis	−8.12	4.05-4.15dis	−7.93
Ireland†	1.5805-1.5845	1.5825-1.5845	0.58-0.78c dis	−5.08	1.62-2.02dis	−4.60
Canada	1.2023-1.2030	1.2026-1.2029	0.03c pm-par	0.15	0.16-0.11 pm	0.45
Nethlnd.	2.5635-2.5725	2.5700-2.5725	1.90-1.80c pm	8.64	5.28-5.18 pm	8.14
Belgium	37.64-37.74	37.69-37.71	2c pm-1 dis	0.16	4 pm-1 dis	0.16
Denmark	7.2475-7.2740	7.2475-7.2500	2.50-2.10ore pm	3.81	6.05-5.65 pm	3.23
W. Ger.	2.3030-2.3160	2.3100-2.3110	1.72-1.60pf pm	8.78	4.08-4.02 pm	7.01
Portugal	60.90-61.30	61.15-61.30	par-30c dis	−2.94	20pm-80dis	−1.31
Spain	91.90-92.15	92.05-92.15	5-15c dis	−1.30	20-35 dis	−1.19
Italy	1,146-1,152	1,150-1,152	3-4 lire dis	−3.65	7¾-9¾ dis	−2.96
Norway	5.6875-5.6945	5.6875-5.6925	4.10-3.70ore pm	8.22	11.40-11.00pm	7.87
France	5.5625-5.5750	5.5675-5.5725	0.40c pm-0.10 dis	0.32	1 pm-par	0.36
Sweden	4.9095-4.9200	4.9120-4.9150	1.50-1.30ore pm	3.42	4.10-3.90 pm	3.26
Japan	221.75-223.50	222.35-222.45	2.55-2.35y pm	13.22	6.95-6.75 pm	12.32
Austria	16.28½-16.33	16.32-16.33	13½-12 gro pm	9.37	33½-29½ pm	7.72
Switz.	2.0790-2.0940	2.0815-2.0825	1.78-1.68c pm	9.97	5.13-5.03 pm	9.76

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

May 14	Bank of England Index	Morgan Guaranty Changes%
Sterling	98.4	−27.2
U.S. dollar	106.6	+0.9
Canadian dollar	87.0	−17.8
Austrian schilling	113.0	+21.9
Belgian franc	106.7	+9.7
Danish kroner	86.8	−11.7
Deutsche mark	118.1	+39.0
Swiss franc	132.4	+75.7
Guilder	109.4	+14.3
French franc	82.8	−12.6
Lira	58.2	−55.8
Yen	142.6	+37.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.563498	0.530175
U.S. $	14	1.17912	1.10833
Canadian $	18.71	1.41824	1.33022
Austria Sch.	6¾	19.0428	17.9163
Belgium F.	14	44.5126	41.4100
Danish K.	11	8.46019	7.97277
D-mark	7½	2.69547	2.53364
Guilder	9	2.99782	2.81738
French Fr.	9½	6.49990	6.10357
Lira	19	1342.13	1261.56
Yen	6¼	258.465	243.168
Norwgn. Kr.	9	6.65967	6.27038
Spanish Pts.	8	107.421	101.080
Swedish Kr.	12	5.75210	5.40921
Swiss Fr.	5	2.43856	2.29169
Greek Dr'ch.	20½	—	61.7007

OTHER CURRENCIES

May 14	£	$		£ Note Rates
Argentina Peso	6641-6661	3208-3218	Austria	33.55-33.90
Australia Dollar	1.8165-1.8205	0.88-0.8805	Belgium	79.70-80.40
Brazil Cruzeiro	170.76-171.75	82.53-82.94	Denmark	14.92-15.07
Finland Markka	8.95-8.97	4.3385-4.3405	France	11.45-11.53
Greek Drachma	115.225-116.160	56.10-56.30	Germany	4.76½-4.79½
Hong Kong Dollar	11.32-11.34	5.4710-5.4740	Italy	2330-2380
Iran Rial	163.40*	78.10*	Japan	459-465
Kuwait Dinar (KD)	0.571-0.577	0.2775-0.2779	Netherlands	5.28½-5.31½
Luxembourg Frc.	77.90-78.00	37.69-37.71	Norway	11.72-11.82
Malaysia Dollar	4.8450-4.8550	2.3415-2.3435	Portugal	123-130
New Zealand Dlr	2.3505-2.3555	1.1385-1.1395	Spain	184½-195
Saudi Arab. Riyal	6.93-6.99	3.3695-3.3785	Sweden	10.15-10.23
Singapore Dollar	4.46-4.47	2.1560-2.1580	Switzerland	4.29-4.33
Sth African Rand	1.7365-1.7375	0.84-0.8405	United States	2.05-2.07½
U.A.E. Dirham	7.56-7.62	3.6715-3.6740	Yugoslavia	73½-82

Rate given for Argentina is free rate. * Selling rate.

EXCHANGE CROSS RATES

May 14	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.068	4.780	460.0	11.515	4.305	5.320	2374.	2.485	77.95
U.S. Dollar	0.484	1.	2.312	222.5	5.570	2.082	2.573	1148.	1.202	37.70
Deutschemark	0.209	0.433	1.	96.23	2.409	0.901	1.113	496.7	0.520	16.31
Japanese Yen 1 000	2.174	4.495	10.39	1000.	25.03	9.359	11.57	5161.	5.401	169.5
French Franc 10	0.868	1.795	4.151	399.5	10.	3.739	4.620	2062.	2.158	67.69
Swiss Franc	0.232	0.480	1.110	106.9	2.675	1.	1.236	551.5	0.577	18.11
Dutch Guilder	0.188	0.389	0.898	86.47	2.164	0.809	1.	446.2	0.467	14.65
Italian Lira 1,000	0.421	0.871	2.013	193.8	4.850	1.813	2.241	1000.	1.047	32.83
Canadian Dollar	0.402	0.832	1.924	185.1	4.635	1.733	2.141	955.5	1.	31.37
Belgian Franc 100	1.283	2.652	6.132	590.1	14.77	5.523	6.825	3046.	3.187	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 14)

3 months U.S. dollars		6 months U.S. dollars	
bid 20	offer 20 1/8	bid 19 5/16	offer 19 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11½-11⅝	18⅝-18⅞	17-18	10⅛-10¼	2¾-3¼	10⅜-10½	16-17	18-20	15-17	6-6½
7 days' notice	11½-11¾	18¾-19	17-18	10⅜-10⅝	4½-5	11 1/16-11 3/16	18-19	22-24	16-18	6¼-6½
Month	12-12⅛	19⅝-19⅞	18¾-19⅛	11-11¼	9 1/16-9 5/16	12 1/16-12 3/16	18½-19½	22-22¾	18½-19½	6 5/16-6 7/16
Three months	12¼-12⅜	20-20¼	19-19⅜	11½-11¾	9 15/16-10 1/16	12 1/16-12 3/16	18½-19½	22¼-23	19¼-20¼	7½-7¾
Six months	12 7/16-12 9/16	19 9/16-19 13/16	18½-18⅞	11⅝-11⅞	9 15/16-10 1/16	12 1/16-12 3/16	18½-19½	21¾-22¼	18¾-19¾	7⅝-7⅞
One Year	12⅝-12⅞	18-18¼	17½-17⅞	11¾-12	9½-9⅝	12 1/16-12 3/16	16¼-17¼	20¾-21¼	17-18	8⅛-8⅜

SDR linked deposits: one-month —— per cent; three-months 15 11/16-16 1/16 per cent; six-months 15⅜-15¾ per cent; one-year 14 11/16-15 1/16 per cent.
ECU linked deposits: one-month —— per cent; three-months —— per cent; six-months —— per cent; one-year —— per cent.
Asian $ (closing rates in Singapore): one-month 19⅝-19¾ per cent; three-months 20-20⅛ per cent; six-months 19 9/16-19 7/16 per cent; one-year 18-18⅛ per cent. Long-term Eurodollar two-years 16¾-17 per cent; three-years 16⅝-16⅞ per cent; four-years 16⅜-16⅝ per cent; five-years 16⅜-16⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
*The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.30-19.40 per cent; three-months 19.60-19.70 per cent; six-*months 18.95-19.05 per cent; one-year 17.65-17.75 per cent.

INTERNATIONAL MONEY MARKET

French rates firm

French interest rates were sharply firmer yesterday. The Bank of France increased its seven-day Treasury bill discount rate to 18 per cent from 16 per *cent after temporarily suspending* dealings during the morning for the second time this week. The seven-day rate is a key market indicator as it represents, in effect, the Bank's minimum lending rate, at which level funds are acquired by selling bills to the authorities on a seven-day repurchase agreement, known as putting bills into pension. The seven-day rate has now risen from 12½ per cent to 18 per cent in little over a week and reflects the Bank's determination to check the outflow *of funds following the Socialist* win in the Presidential election and a continued rise in U.S. interest rates.

Meanwhile the French State bank Credit Lyonnais increased its prime rate to 14¾ per cent from 12¾ per cent. In the money market call money rose to a record 16 per cent, beating the previous record set on Wednesday by half a point. Within the European Monetary System the French franc remained close to its limit against the D-mark despite yesterday's credit moves.

In Frankfurt call money was quoted at 11.70-11.90 per cent compared with 11.80-11.90 per cent on Wednesday and an unchanged special Lombard rate of 12 per cent. Longer term rates were firmer however. One-month money to 12.90-13.00 per *cent from 12.80-12.90 per cent* and the three-month rate was higher at 13.10-13.20 per cent compared with 13.05-13.15 per cent.

MONEY RATES

NEW YORK

Prime Rate	19½
Fed. Fund	18¾-19
Treasury Bills (13-week)	16.98
Treasury Bills (26-week)	15.81

GERMANY

Special Lombard	12.00
Overnight Rate	11.80
One month	12.95
Three months	13.15
Six months	13.15

FRANCE

Intervention Rate	18
Overnight Rate	16.0
One month	—
Three months	—
Six months	—

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.0625
Bill Discount (three-month)	7.40625

UK MONEY MARKET

Moderate help

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

Day to day credit was again in short supply in the London money market yesterday and the authorities gave assistance on a moderate scale. This comprised small purchases of Treasury bills, both from banks and discount houses and a small amount of local authority bills all direct from houses. In addition they bought a small amount of eligible bank bills, all direct.

Discount houses were paying 10¾-11 per cent for secured call loans at the start with later balances taken between 10¾ per cent and 11¾ per cent. The market was faced with a small amount of bills maturing in official hands and bank bringing forward balances a moderate way below target.

LONDON MONEY RATES

May 14 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10⅞-14	11-11½	—	—	11⅛-11⅝	10¾-11¾	—	—	—
2 days notice	—	—	11½-11¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅜-11¾	11⅞-12	—	11⅝	11¾-12	11⅛-11¼	—	—	—
One month	12 1/16-11⅞	11 15/16-12 1/16	12-12⅛	13-12¾	12 3/16	12¼-12⅜	11½	11 13/16-11 11/16	11 13/16	12 3/16
Two months	12⅛-12	12⅛-12¼	—	13-12¾	12½	12½	11⅝	11⅝-11 9/16	11 13/16	12⅜
Three months	12¼-12⅜	12¼-12⅜	12¼-12⅜	13-12⅝	12⅝	12⅝-12¾	11⅝-11¾	11 9/16	11 11/16	12½
Six months	12⅜-12 5/16	12⅜-12½	12⅜	12⅞-12½	12¾	12¾	—	—	11⅝	12⅛
Nine months	12 7/16-12 5/16	12 7/16-12⅝	—	13-12⅝	12¾	12¾	—	—	—	—
One year	12½-12⅜	12½-11 15/16	12⅝-12¾	12⅞-12⅝	12⅞	12⅞	—	—	—	—
Two years	—	—	13¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13-13⅛ per cent; four years 13¼-13½ per cent; five years 13¾-14 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11½ per cent; four-month trade bills 12 per cent.

Approximate selling rate for one-month Treasury bills 11⅝-11 7/16 per cent; two-months 11 5/16-11 7/16 per cent; three-months 11 7/32 per cent. Approximate selling rate for one-month bank bills 11 9/16 per cent; two-months 11 9/16-11 19/32 per cent; three-months 11½-11 17/32 per cent; one-month trade bills 12 3/16 per cent; two-months 12⅛ per cent and three-months 12 3/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from May 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.3024 per cent.

GOLD

Weaker trend

Gold fell $6 to $476-479 in the London bullion market yesterday. It opened at $477-480, and was fixed at $480.75 in the morning and $476.50 in the afternoon. The metal fell to a low of $472-$475, and touched a peak of $479-$482. The strength of the dollar remained the dominant market factor.

In Paris the 12½ kilo gold bar was fixed at FFr 90,100 per kilo ($503.58 per ounce) in the afternoon, compared with FFr 91,250 ($510.23) in the morning, and FFr 94,500 ($533.20) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,720 per kilo ($481.49), against $35,760 ($487.23) previously, and finished at $475-478, compared with $483-486.

In Zurich gold closed at $476-$479, against $483-486.

GOLD

	May 14		May 13	
Gold Bullion (fine ounce)				
Close	$476-479	(£230½-232)	$482-485	(£231¼-232¾)
Opening	$477-480	(£231-232¾)	$486-489	(£231½-233)
Morning fixing	$480.75	(£232.336)	$485.50	(£232.055)
Afternoon fixing	$476.50	(£230.082)	$484.25	(£232.366)
Gold Coins				
Krugerrand	$491-492½	(£237¾-238½)	$497½-498½	(£239¼-239¾)
1/2 Krugerrand	$253¾-254¾	(£123-123½)	$256½-257½	(£123¼-123¾)
1/4 Krugerrand	$129¼-130¼	(£62½-63)	$130¾-131¾	(£62¾-63¼)
1/10 Krugerrand	$52¾-53¾	(£25½-26)	$53½-54½	(£25¾-26¼)
Mapleleaf	$487½-488½	(£236-236½)	$493-494	(£237-237½)
New Sovereigns	$119¾-120½	(£58-58½)	$121-121¾	(£58-58½)
King Sovereigns	$130-132	(£63-64)	$131-133	(£62¾-63¾)
Victoria Sovs	$130-132	(£63-64)	$131-133	(£62¾-63¾)
French 20s	$197-200	(£95½-97)	$195-199	(£93¾-95½)
50 pesos Mexico	$594-598	(£287¾-289¾)	$600-604	(£288½-290½)
100 Cor. Austria	$461-465	(£223-225¼)	$470-474	(£226-227¾)
$20 Eagles	$581-586	(£281½-284)	$581-586	(£279¼-281¾)

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Crystal control for Servis washers

TWELVE test stands fitted with microprocessors are at the heart of a £300,000 system installed in the Wednesbury, West Midlands, factory of Servis Domestic Applications.

The system, designed and fitted by Autosense Equipment, Bicester (08692 43351), is for testing the new Servis Quartz Automatic washing machines, which have microprocessor technology controlled by a quartz crystal.

Diagnostic

The installation can test 72 washing machines an hour, each unit receiving a comprehensive ten-minute check. The 12 stands are monitored and controlled by only two operators.

On completion of a test, the test stand console automatically prints out a "pass" or "fail" ticket. When a washing machine fails the test the ticket shows diagnostic data pinpointing the cause of failure. The fault can then be rectified by the engineers.

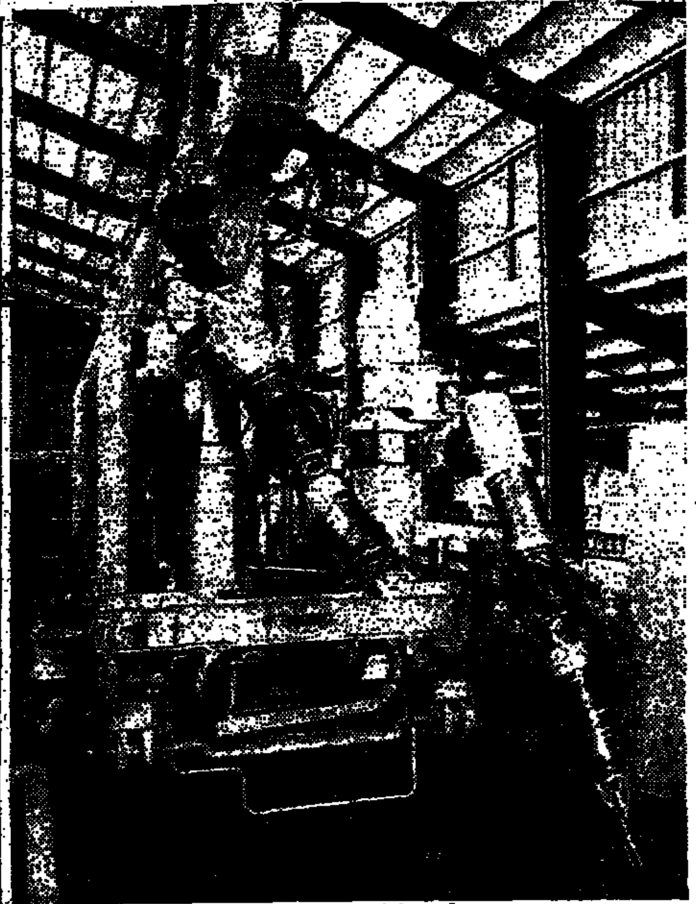
When a washing machine is moved into a test stand on a powered roller conveyor, its pallet is automatically engaged to align it correctly. The operator then connects the water hoses, power supply and timer advance device before pressing the "start test." button on the control panel.

The microprocessor in the test stand rapidly advances the washing cycle in a pre-programmed sequence, checking the water flow, current consumption, water temperatures, drum speed and correct direction of rotation.

Instant

Red, green and amber lights on the top of each test stand give the operators an instant signal of the test condition wherever they happen to be in the test system area. When a test is complete, and the "pass" or "fail" ticket has been printed out, the operator disconnects the hoses and power supply and the washing machine is released from the test stand.

The system microprocessor then instructs the roller conveyors to send the machine out to the packing department or back to the factory for rectification.



TIM, the undersea robot can work on installations beyond the reach of divers.

Sweetness and light polarised

THE NAME of the game in instrumentation these days is automation. Skilled operators are expensive and hard to come by and in manufacturing industry, at any rate, economies of scale mean that large numbers of samples have to be checked at high speed.

Sugar refiners, food manufacturers and pharmaceutical companies make great use of an instrument called a polarimeter, a gadget which uses the optical properties of a substance such as sugar in solution to provide information about its purity and concentration.

Automating the business of polarimetry has attracted the attention of a number of companies including Thorn Bendix, Perkin - Elmer, Schmidt and Haensch and Jasco, but without doubt the smallest and cheapest automatic polarimeter has been developed by a little UK firm, Optical Activity; this won it a Queen's Award this year.

Dr. Jennifer Horn, a director of Optical Activity, explains that its polarimeter works on an entirely new principle.

Polarimetry essentially consists of using a pair of prisms, a polariser and an analyser, to detect the way a sample rotates a light beam. Measurements are taken at a particular light intensity, the "cross over point."

Traditional automatic polarisers may use a photomultiplier to detect this point.

The Optical Activity device uses a continuously rotating analyser.

The cyclical changes in intensity thus produced generate an alternating current in the sensor from which the optical activity of the sample can be determined.

The polarimeter is small, light and can be used by unskilled operators. It costs just under £3,000, these days, while it is possible to pay £7,000 or £8,000 for a conventional instrument. More on 0487 813 913.

ALAN CANE

Tim takes French to the deeps

BY MARK WEBSTER

IN 200 feet of water near the West African coastline of Gabon, the fish are watching TIM at work. Attracted by his bright lights, they swarm around the seabed, dodging in and out as his deft arms work on the wellhead installations.

TIM (telemanipulateur d'intervention et de maintenance) is a French-built robot prototype. With its crane and two arms it is designed to work on oil installations well beyond the reach of divers.

It has been built for the State-owned French oil company Elf-Acquitaine by the Nantes-based Teliers et Chantiers de Bretagne.

The robot is undergoing minor modifications in France after extensive sea trials near Gabon and its developers believe it has potential as a complete unit or in terms of spin-offs for improved sub-sea technology.

TIM's great advantage for the oil industry is that it can work without a costly fixed platform and at great depths. The combination of those two means that TIM may well have a future working on oil fields which at present are too deep to be either technically or financially exploitable.

Elf said that during the robot's 160 hours underwater in Gabon, 104 of which were spent working, no major faults were discovered and they were pleased with the overall performance. Although it was working at only 60 metres' depth, the robot is designed to work at up to 600 metres and future models could go much deeper.

The robot is remotely controlled from the surface and its progress is monitored through five cameras attached to the moving parts and the superstructure. Each of the arms is capable of moving in nine different ways—one more than the human arm

The robot is lowered from the barge on the surface and clamps on to rails mounted on either side of the wellhead. Any number of tools can be fitted to the end of the hydraulic arms and it has already proved itself capable of connecting pipes, electric cables, operating valves and effecting minor repairs.

The crane is capable of lifting up to 1,500 kgs and has been used for transporting heavier equipment during the tests. The crane and the arms are controlled through a multi-wire cable which uses a pair of wires for each command.

A number of new developments will now be tried including replacing the large number of wires with a multiplex system which has only one pair of wires for sending all commands with a second set to ensure that the message has been correctly decoded.

There will also be more work done on the electrical connectors used on the test project. The connector in use was designed by the French company, Matra, but it is too bulky and a smaller model is being developed.

The next development in the Elf research programme is to improve their multiplex wiring system so that messages can be transmitted to the wellhead from a centre some distance away — perhaps one centre controlling a number of wells.

Work has already started on such a system near Norway. Elf is working in partnership with the Compagnie Francaise des Petroles, Norsk Hydro and Statoil on the Skuld project which aims to develop a multiplex wiring system capable of transmitting messages greater distances at greater speeds than is now possible.

Israeli produce

THE Israel Institute of Agricultural Engineering has introduced mobile field conveyors which can save on labour costs, reduce bruising of vegetables and other crops.

Conveyors can cover a width of about 60 feet, moving crops up to 38 inches tall.

The machine is available in two versions, one self-propelled, and one tractor-mounted. As the conveyor moves across the field, gathering anything from tomatoes to water melons, pickers then remove the produce to packing bags attached to the machine. (The Institute is on Telex 5430 TLV.)

Heckmondwike could be the gasket capital

EXPLOITATION of British technology by U.S. or other overseas groups has been a familiar pattern over recent years, but at Heckmondwike in West Yorkshire the trend has been reversed.

The town, between Bradford and Huddersfield, is the worldwide headquarters of Flexitallic, a company with its origins in the U.S. and now employing about 1,000 people at plants in Britain, North and South America, Germany, Spain, Australia, South Africa and New Zealand. The plants make spirally wound gaskets for the oil, petrochemical and other complex process industries.

Though it meets strong competition in all overseas markets in conventional gaskets—which it also makes for a wide range of industrial applications—Flexitallic reckons that it accounts for half world sales of spirally-wound types and manufactures among the most sophisticated product available.

Still largely assembled by hand, the spiral-wound gasket consists of grooved external and internal rings of metal housing a filler sandwich, usually of asbestos or of other specialist materials such as PTFE, lead, or ceramic.

In process industries the spring effect of this type of construction ensures that joints remain sealed even when subjected to wide fluctuations in temperatures and pressures.

The establishment of this worldwide business in Heckmondwike — traditionally a wire-making and textiles town — came about somewhat by chance. It was the base for Wood Bros., a manufacturer of gaskets for the motor industry, which was acquired some years ago by another group, Engineering Components.

This company was in turn bought during the 1960s by the Manchester engineering and building products group, Turner and Newall, which learned through its then partner in a U.S. venture, CertainTeed, that the New Jersey-based Flexitallic group—a company with good technology but in decline and losing its market share—was up for sale.

The takeover in 1970 enabled Turner and Newall to inject American technology into Wood Bros., which was renamed Flexitallic, and overall management of the company was transferred to Heckmondwike where the main group research facilities are now located.

The U.S. operation in turn benefited from the more aggressive selling and exporting approach developed by the UK company.

Since 1970 existing manufacturing operations in the U.S. at Camden, New Jersey, have been supplemented by new facilities at Houston, Texas, and Los Angeles, and lost market share has been recaptured.

Manufacturing has also been started in Venezuela and Mexico to take advantages of demand from the oil industry.

In Britain the new strength of the combined operation has encouraged Turner and Newall to sanction a sizeable investment programme at Heckmondwike.

Offset

Over the past few years the company has been spending £750,000 a year, with a large share going on advanced numerically-controlled machine tools for producing the components used in gaskets and other Flexitallic engineering components.

With orders coming in to the various group plants from a network of distributors around the world turnover has climbed to more than £20m. Exports from the UK account for some 60 per cent of output and have assumed an increased importance as a result of the deep recession of the past few years and its effect on capital spending projects.

Other markets too have been affected, and in particular there has been a re-phasing of many of the petrochemical schemes planned during the mid-1970s.

This has been offset for Flexitallic, however, by continuing replacement business, by the strength of oil-related business, and by the growth of other new markets such as the nuclear industry.

Flexitallic has also been tackling areas where its gaskets have not previously had a major penetration such as diesel engines. Thus, although the company expects this year to be difficult, it can look back on a sevenfold growth in sales by value in the past nine years and a fourfold rise in volume.

Mr. Bryn Davey, Flexitallic managing director, claims that progress is based to a large extent on a service-orientated approach to the customer—in other words a willingness to tackle specific problems and to come up with a tailor-made solution, including in many cases initial design work.

"In the petrochemical and refining industries the processes are becoming much nastier and the temperatures and pressures are getting much higher. As a result contractors often ask us to develop sealing systems for a particular installation."

The service element which Flexitallic has sought to incorporate into its products—including a willingness to send engineers anywhere in the world to deal with gasket problems — has also formed the basis for the group's recent attempts to diversify.

In 1978, the company acquired Hydra-tight of Walsall in the West Midlands, which manufactures a specialist bolt tightening device for use in the petrochemical and other similar industries.

The device, which is being used under water in the North Sea oil industry, is claimed to be much quicker than conventional tools, and eliminates the risk of damage through inaccurate bolt loadings.

In the future the company, which operates with a large measure of autonomy within Turner and Newall, has set itself an ambitious 5 per cent per annum productivity increase target over the next five years.

The aim is to achieve this if possible without compulsory reduction in the size of the UK labour force—at 300 down only marginally over the past year despite the recession.

With at least some of the components used in these plants being supplied from the UK it will mean further security for Heckmondwike and the chance to maintain its place as the spiral wound gasket capital not just of West Yorkshire but possibly of the world.

RHYS DAVID

WORLD STOCK MARKETS

NEW YORK

[illegible]

Early Dow recovery of 6.1

A TECHNICAL recovery developed on Wall Street yesterday morning in another fairly active trade.

Analysts, however, said the market's improvement was likely to be limited until it becomes clear whether interest rates will move lower. They noted investors continue to focus on money supply figures for a clue to the future direction of interest rates.

The Dow Jones Industrial Average recorded an improvement of 6.12 at 973.88 at 1.00 pm, while the NYSE All Common index rallied 42 cents to $75.98. Rises led falls by an eight-to-five margin, while trading volume came to 30m shares, against the 31.05m registered at 1.00 pm on Wednesday.

Louisiana Land gained 1½ to $37½. The company said it expects recoverable gold from its Round Mountain, Nevada, operation will be several times the previously estimated 600,000 ounces.

Dataproducts slipped 2¾ to $31 after forecasting that profits for the fiscal first-quarter ending in June could be well below year-ago levels.

Conoco rose ⅜ to $54¾. **Husky Oil** said it is discussing with Conoco the possible acquisition of Conoco's stake in Hudson's Bay Oil and Gas. On the Amex, **Husky** was up ⅛ to $15⅞, while active **Hudson's Bay** gained ⅝ to $29⅜.

THE AMERICAN SE Market Value Index climbed 4.92 to 368.17 at 1.00 pm in volume of 4.71m shares (3.81m).

Canada

Rising Oil issues, boosted by take-over news and speculation, helped push the market higher.

One analyst said the rise in Oil stock prices was also encouraged by modifications in the National Energy Programme, announced on Wednesday. The modifications, the analyst said, indicate a willingness on the part of the Federal Government to compromise on the energy programme.

The Toronto Composite index was up 14.9 at 2,318.0 at noon, while advances outnumbered declines by 241 to 166 on the Exchange. The Oil and Gas index advanced 126.8 to 4,906.3, while Golds put on 42.3 to 4,493.2.

Volume leader **Gulf Canada** was up C$1 to C$28⅜. The largest increase was shown by **Union Oil of Canada**, which rose C$22 to C$60. **Union Oil of California** is offering C$65 a share for the 2m Union Oil Canada shares not already owned.

Bramalea fell 2½ to C$24 and **Cadillac Fairview** 1¾ to C$36½. They have called off merger talks.

Tokyo

The Nikkei-Dow Jones Average on the Tokyo Stock Market rebounded 76.81 to 7,467.45 on bargain hunting, after losing 160.55 in the prior two sessions as the market showed concern over high U.S. interest rates and the Socialist victory in the French Presidential election.

The Tokyo SE index recovered 2.03 to 553.35. There was a sizeable turnover of 500m shares, although this fell well short of Wednesday's 950m.

Light Electricals and Precision Instruments led the gain, with many investors encouraged by overnight steadiness in European stock and money markets.

Sony jumped Y350 to Y4,950, **Canon** Y120 to Y1,470 and **Pioneer Electronic** Y130 to Y4,030, while **Fuji Photo** moved ahead Y100 to Y1,750, **Sharp** Y37 to Y842 and **Olympus** Y50 to Y1,670.

Steels, Shipbuildings and Heavy Electric Machines continued to dominate trading with heavy turnover, but prices ended mixed. **Sumitomo Metal** and **Kawasaki Heavy** rose Y9 each to Y239 and Y222 respectively, and **Hitachi** Y2 to Y640, but **Nippon Steel** lost Y5 to Y223 and **Mitsubishi Heavy** Y2 to Y288.

Oils, Non-ferrous Metals, Foods, Electric Powers, Communications, Drugs, Chemicals and Real Estates were higher, with **Koa Oil** up Y30 to Y546, **Arabian Oil** Y100 to Y2,350, **Nippon Mining** Y7 to Y193, **Kakenyaku Chemical** Y100 to Y998, **Nippon Electric** Y15 to Y745 and **Sumitomo** ...

Hong Kong

The market moved sharply higher yesterday in active trading, raising the Hang Seng index back above the 1,500 level to close 49.43 stronger at 1,532.05.

The index has now risen 118.56 in the past five consecutive trading days, with market sentiment supported by the Government's proposed relaxation of residential rent controls.

Property-based shares again led the advance, with **Cheung Kong** climbing 70 cents to HK$27.70, **Hong Kong Land** 50 cents to HK$13.30, **Sun Hung Kai Properties** 40 cents to HK$16.50 and **Hang Lung Development** HK$1.50 to HK$29.00.

Germany

Bourse prices were mixed to easier, with brokers pointing to the surge of the dollar and gloomy 1981 projections from key West German companies as dampening investor interest. However, a trickle of fresh foreign buying orders boosted some shares.

The Commerzbank index, after improving 5.3 on Wednesday, slipped back 3.0 to 714.1.

BASF, with lower first-quarter earnings, eased 70 pfennigs in Chemicals, but **Bayer** hardened 40 pfennigs.

Siemens fell DM 4.50 to DM 255.80 in Electricals on lower first-half net profits.

Paris

A degree of calm returned to trading, after the recent chaotic depressed conditions created by last Sunday's French Presidential election victory by Socialist Francois Mitterrand.

Most sectors were mixed with the majority of movements in either direction confined to a fairly narrow range.

Foods, which traditionally hold steady in times of uncertainty, posted modest gains, while Stores, Rubbers and Hotels were also firmer-inclined.

Oil issue **CFP**, however, shed FFr 4 to FFr 152 despite announcing higher first-quarter turnover.

Australia

Share prices mainly retreated as high U.S. interest rates and a strong Australian dollar kept overseas buyers away.

The Australian All Ordinaries index declined 8.6 to 686.8. The Mining and Oil sectors were particularly dull, the Metals and Minerals index receding 11.6 to 584.5 and Oil and Gas 25.3 to 831.3.

Fresh activity in the Banking sector centred on **CBC**, which retreated 16 cents to A$5.76 after directors called into question take-over terms offered by **National Bank**. The implication that the bid might be in trouble saw **National** pick up 5 cents to A$3.60.

ANZ was 5 cents lower at A$4.40 and ANZ's takeover target, **CBA**, eased 10 cents to A$5.90.

Mercantile Mutual put on 30 cents to A$4.00 following an announcement that the Dutch-based Nationale-Nederlanden insurance group planned to spend A$46.5m to take up 50 per cent of Mercantile's issued capital at A$5.75 a share.

BHP dipped 30 cents to A$13.60, **CSR** 20 to A$6.40, **MIM** 15 to A$4.50, **Bougainville** 8 to A$1.60, **Woodside** 13 to A$2.05 and **Santos** 40 to A$5.90.

Johannesburg

Gold shares generally turned easier in another light trade. **Randfontein** lost R2 to R66.

Among mixed Industrials, **Barlow Rand** fell 40 cents to R10.45 after interim results.

Closing prices for North America were not available for this edition.

CANADA

Stock	May 13	May 12
Abitibi	26⅛	26½
Agnico Eagle	13	12⅞
Alcan Alumin	38¾	39½
Algoma Steel	46¼	45½
[illegible]		

BELGIUM (continued)

May 14	Price Frs.	+ or —
Petrofina	4,560	—55
Royale Belge	4,330	—20
Soc Gen Banq.	1,760	—45
Soc Gen Belge	1,016	—4
[illegible]		

HOLLAND

May 14	Price Fls.	+ or —
ACF Holding	82.5	+2
Ahold	69	—0.5
AKZO	25	+0.3
ABN	281	—0.8
[illegible]		

AUSTRALIA

May 14	Price Aust. $	+ or —
ANZ Group	4.40	—0.05
Acrow Aust	1.20	—0.15
Allstate Expl	1.00	—0.05
Ampol Pet	1.9	
Assoc. Pulp Pap.	2.3	
[illegible]		

JAPAN (continued)

May 14	Price Yen	+ or —
Kubota	347	+2
Kumgai	345	
Kyoto Ceramic	4,480	+1,080
Lion	396	—15
Maeda Cons.	576	
Makita	884	+4
[illegible]		

Indices

NEW YORK —DOW JONES

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

COMMODITIES AND AGRICULTURE

Soviet grain mission in Argentina

BUENOS AIRES — A Soviet mission which arrives here today is expected to discuss raising the minimum amounts of grains to be purchased from Argentina under a medium-term agreement made last year.

The industry understands the Argentine authorities wish to raise the minimum amount of feedgrains to be purchased annually until the end of 1984 to 6m tonnes from 4m and to extend the agreement to cover 1m tonnes of wheat a year. Wheat does not form part of the agreement signed last year.

The current agreement allows for the USSR to buy a minimum of 3m tonnes of maize, 1m tonnes of sorghum and 500,000 tonnes of soyabeans annually from 1980 to 1984 inclusive.

The agreement followed the introduction of the U.S. partial grain embargo of the Soviet Union in January 1980.

During 1980 the USSR quadrupled its purchases of Argentine grains and oilseeds to 7.58m tonnes from 1.86m in 1979.

The sources said they estimate Soviet purchases from Argentina so far this year at 7m tonnes of feedgrains, of which between 2.3m and 2.4m tonnes is in sorghum and the rest maize, plus 2.1m tonnes of wheat and 650,000 tonnes of soyabeans.

USSR shipment requirements are covered until the end of July and future purchases, which are unlikely to be made before the mission leaves next Wednesday, will be for shipment from August onwards.

The Soviet Union has given no indication it intends to reduce planned purchases from Argentina as a result of the lifting of the U.S. embargo and total purchases this year could reach around 12m tonnes.

● China's imports of wheat and coarse grains in 1981/82 (July-June) are initially projected at 14m tonnes compared to a revised 14.7m in the current year and 10.9m in 1979/80.

Aid sought for tapioca growers

BANGKOK—Thailand's agriculture minister, Anat Abhapirom, said he will lead a three-man delegation next month for meetings in Brussels with the EEC commissioner for agriculture to discuss problems connected with the tapioca trade.

While in Brussels he will request grants and soft loans totalling $50m to grow substitute crops and regulate production of tapioca roots.

Brazil forecasts big coffee crop

BY RICHARD MOONEY

BRAZIL still expects a bumper coffee crop this year. In its latest estimate, published yesterday, the Brazilian Coffee Institute (IBC) put the 1981-82 crop at 32.1m bags, the highest level since 1965.

This would be somewhat less than the 32.9m bags the IBC forecast in December, but would still represent a 60 per cent rise from last season's output.

A crop of this size from the world's biggest producer would be likely to add to the current depression in the world coffee market, which has resulted from production consistently exceeding demand. But any downward pressure on prices is likely to be countered in the coming months by fears of a Brazilian frost.

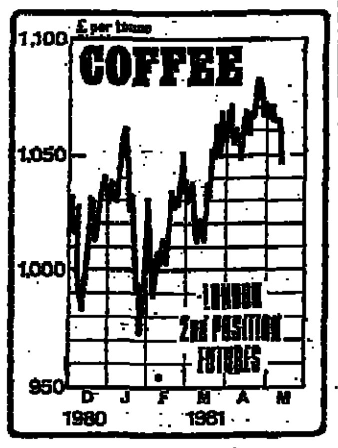
Only an exceptionally severe frost could seriously affect this season's crop which is already in bean form. But flowering for the 1982-83 crop is still susceptible to frost. And if this happened, prices would respond immediately.

Brazil's worst coffee frost struck in 1975 wiping out three-quarters of the 1976 crop. As a result prices soared from £400 a tonne to more than £4,000 a tonne.

The frost risk season in Brazil reaches its peak in the second half of July and does not end till the end of August. In the meantime, awareness of this risk willq tend to discourage any substantial "bear" move in the world coffee market.

But the IBC's announcement brought a modest fall on the London coffee futures market yesterday. The July delivery position ended the day £12 down at £1,046.50 a tonne.

A Brazilian expert said in Rio de Janeiro that the expected crop rise was due to new trees planted after the 1975 disaster coming into production.



Secure in the knowledge that a large crop is on its way, Brazil appears prepared to run down its stocks to boost exports. Sr. Octavio Rainho, president of the IBC, has confirmed that the country aims to export up to 17m bags of coffee this year and will press for an increase in its International Coffee Agreement export quota at the earliest opportunity. He sees total exports (including those to countries outside the agreement) rising to 19m bags next season. Earnings from coffee exports should total between $2.2bn and $2.4bn this year compared with $2.79bn in 1980, the IBC president estimates.

Sharp rally in zinc market

BY JOHN EDWARDS, COMMODITIES EDITOR

ZINC PRICES rallied sharply on the London Metal Exchange in late trading. The rise was attributed to nervousness about the vote by workers at the big Cominco Trail smelter in British Columbia on whether they accept the tentative agreement reached between union and management representatives on the terms of new labour contracts. Although it is thought the agreement may well be ratified, traders evidently felt it safer to be buyers than sellers just in case.

After coming under pressure in early trading cash zinc eventually was £6.75 up at the afternoon close at £413.5 a tonne but moved strongly ahead subsequently. The three months quotation, which closed £7.25 higher at £423.75 jumped to £430 at one stage before ending around £429.

Another zinc producer, Electrolytic Zinc of Australasia confirmed yesterday it was raising its European price by $50 to $925 a tonne in line with similar increases announced this week by Cominco and several European smelters.

Tin prices gained ground yesterday too, encouraged by the weakness of sterling against the dollar and reports of further support buying in the Penang market overnight by the buffer stock of the International Tin Council. Cash tin closed £95 up at £6,190 a tonne.

Reuter reported from Kuala Lumpur that dealers there believed the buffer stock had bought the bulk of the 265 tonnes offered. It was claimed that without this support the Straits tin price would have dropped considerably. In the event it was only two cents lower at 29.67 ringgits a kilo. The lower price range of the International Tin Agreement where the buffer stock is able to operate as a net buyer is 27.28 to 30.01 ringgits a kilo.

Lead values eased yesterday following news that negotiations between St. Joe Minerals and the workers' on strike at the company's mining and milling plants in Missouri are to be resumed on May 21. The talks have been called by the federal mediator.

The strike started on April 1 and has prevented production resuming at St. Joe's lead smelter, although workers there recently reached agreement on the terms of new labour contracts.

Strategic metals conference

BY OUR COMMODITIES STAFF

MR. MICHAEL CALINGAERT, U.S. deputy assistant secretary of state for resources, is to speak at a special conference on strategic metals to be held in London on June 3 at the Hilton Hotel.

The conference is planned to highlight the growing interest in strategic metals, from governments, companies and investors, concerned about possible supply problems of vital raw materials.

Other speakers will include Senator John Towers, chairman of the U.S. Senate Armed Services Committee; Mr. Derek Dumenil of Johnson Matthey and Mr. James Sinclair on investing in strategic metals. The conference will be chaired by Mr. John Pardoe, former Liberal MP, who is a member of the London Metal Exchange.

Entitled "Strategic metals in the 1980s," the conference is organised by Commercial and Investment Enterprises, Plantation House, London EC3.

Sugar export quotas imposed

INTERNATIONAL SUGAR Organisation (ISO) sugar export quotas for 1981 came into force yesterday following the fall in the ISO 15-day average price to below 16 cents a pound.

A total quota of 14.3m tonnes raw value has been allocated provisionally to ISO exporting members in proportion to their 1980 basic export tonnages (the criteria used for calculating quotas).

Individual quotas will be adjusted when the ISO executive committee has drawn up 1981 basic export tonnages.

Individual 1981 annual quotas will initially include—Australia 2.1m tonnes, Brazil 2.1m, Cuba 2.23m, Dominican Republic 1.06m, Philippines 1.25m and Thailand 1.07m.

The ISO 15-day average triggered export quotas automatically when it remained below 16 cents for the fifth consecutive market day.

The daily price yesterday was 14.34 cents and unless prices recover the average will soon fall to below 15 cents. If it remains below 15 cents for five market days quotas will be cut by 5 per cent, unless the ISO executive committee decides otherwise.

Mexican silver output stable

MEXICO CITY — Mexico's silver production this year will remain stable at around the 53m-ounces level of 1980, the president of the board of directors of a Mexican mining company said.

Sr. Antonio Madero of Industrias Luismin said that this was in spite of a near 60 per cent fall in silver prices during the first quarter of this year.

He said Mexico would maintain its position as the world's top silver producer.
Reuter

Senate acts on tax straddles

WASHINGTON—The Senate rejected a proposal to force an end to silver and other commodity futures tax straddles.

The proposal was put as an amendment to the pending budget Bill.

The Treasury supports ending tax straddle abuses, but not through an amendment to the budget bill.
Reuter

EEC TRADE

National aid undermines common farm policy

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

BRITISH turkey breeders are becoming very neurotic about the threat from French turkey exports. These apparently had a serious impact last year, but there is now news that a new integrated turkey plant which is being made ready near Roscoff, in Britanny will have a capacity of 20m birds, equal to the total British consumption. France is already well supplied with turkeys, and therefore Britain, just acorss the channel, is the obvious destination.

In general there is probably little to choose between the technical and economic efficiency of French and British production systems. But this plant has some advantages denied British operators. Britanny is the recipient of much assistance as it is classed in France as a disadvantaged area and politically the region carries a lot of clout. There has been considerable government assistance to get horticultural production and marketing going, as well as various industrial projects.

The local town sold the turkey company the 35 acre site for a knock down price. In addition it modernised a neighbouring airstrip at a cost of £230,000, but after grants etc. the company paid only £78,000. In all the company only put up £1m of its own money; £1m came in grants; £2m was borrowed at subsidised rates and £2m at commercial rates. If a mistake had not been made in the planning procedures there would have been a further £1½m in subsidy. Each new job created produced a subsidy of £2,000. There is a five year rates holiday and the capital expenditure is written off against tax.

After crying foul, the British Turkey Federation passed the details to the Ministry of Agriculture. Since then Mr. Peter Walker, the Minister of Agriculture, has been complaining vigorously to Brussels about the illegalities under EEC rules of certain aspects of the operation.

In point of fact a proportion of the enterprise did receive an EEC grant, but it is undeniable that by this system of financing, French turkeys will be able to undercut British turkeys in the shops. At present the French birds are said to be selling here at 36p per pound while British producers claim they require 48p to break even.

This is no isolated example of French determination to look after farming interests. Only last March the French government paid out an estimated £400m in extra subsidies to farmers. Commentators have given the impression that this was to sweeten the farming vote to try, unsuccessfully as it has turned out, to ensure Giscard's re-election. This is very much open to question. French policy has for the last few years been to maximise agricultural production and the March handout, although illegal under CAP rules, has to be seen as a means to that end.

This policy, which is unlikely to be abandoned by M. Mitterrand, was crystalised about two years ago under the name of Green oil—France's equivalent of Britain's North Sea oil resources. Every endeavour is to be made to increase exports of food, the only natural wealth of the country. Government support such as interest subsidies, special aids to young farmers and a host of other measures are examples of the workings of this policy.

How many of these are legal under the EEC rules remains a matter of indifference to the French, whose attitude was best summed up by Mr. Mehaignerie, outgoing Minister of Agriculture, when condemned by the European Court. He said: "It is true I have suffered two judgments against me, but I am still well, I still breathe. British farmers have often wished that their Ministers were as robust in their attitudes."

Nor are the French the only offenders. Dutch glasshouse growers are especially favoured by very low energy costs, and this has not yet been compensated by the £5½m grant given by the British Government to growers recently. The adverse effect of the Dutch low price still gives their growers an advantage estimated by the NFU of about £6,000 an acre annually.

In Germany the State, for social reasons, insists on the maintenance of a farming system which employs many more people on the land than pure economic realities would consider necessary. As the major contributor to the CAP now that Britain has secured a temporary reduction in contributions, there are signs that the SDP side of the governing coalition is becoming restive over the costs both of the CAP and national measures.

There is no doubt that national measures do distort trade and competition. But they would be likely to become even more pronounced if the reform suggested by Britain: that countries over-producing, say milk, had to bear the costs of the excess themselves, became EEC policy. This theoretically perfect solution would open the door to endless conflicts of definition. When for instance would a payment cease being a national aid and become a national responsibility?

Frankly there is no solution but to hand the lot back to national governments within an agreed tariff wall.

Soviet meat output increases

MOSCOW—Soviet meat output improved slightly in April over the same month last year while livestock numbers continued high, according to monthly figures published in the weekly Ekonomicheskaya Gazeta.

It said meat production on collective and state farms over the first four months of the year was 4.95m tonnes, or 99.9 per cent of output in the same period of 1980.

Beef and sheepmeat production declined by 2 and 4 per cent respectively, while pork and poultry production rose by 3 and 10 per cent, the weekly said.

In April meat output was 954,000 tonnes, compared to 928,000 tonnes in the same month last year, the figures showed.

A report in the Communist party newspaper Pravda this week said there were continuing problems with low animal productivity in many areas of the Russian Federation, Byelorussia and Latvia.

Soviet agricultural experts say instructions to farms are to keep herds as large as possible in spite of a shortage of fodder, because distress slaughter, avoided since 1975-76, would set livestock farming back another five years.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Easier on the London Metal Exchange as lack of interest and light general selling saw forward metal dip from £860 to £856 prior to a close of £859. Turnover: 13,500 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	833-.5	—2.5	834.5-5.5	—1.5
3 months	856-.5	—3	858.5-9	—1.5
Settlem't	833.5	—2.5	—	......
Cathodes				
Cash	823.5-4	—3.5	826-7	—2
3 months	843.5-4	—3.75	846-7	—2
Settlem'	824	—3.5	—	......
U.S. Prod	—		*83.65-88	......

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £860, 59, 58, 57, 56, 56.5. Cathodes, cash £824, three months £847, 43.5. Kerb: Wirebars, three months £857, 56.5, 57. Afternoon: Wirebars, three months £857.5, 58, 58.5. Kerb: Wirebars, three months £858, 58.5.

TIN—Gained ground as persistent American short-covering lifted forward metal to a day's high of £6,280 before a close of £6,260. Turnover: 1,060 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6140-50	+50	6185-95	+95
3 months	6225-30	+47.5	6270-5	+87.5
Settlem't	6150	+50		
Standard				
Cash	6140-50	+49	6185-95	+95
3 months	6225-30	+47.5	6270-5	+87.5
Settlem't	6150	+40	—	......
Straits E.	‡$29.57	—0.02		......
New York	—	......		

Morning: Standard, cash £6,160, 40, three months £6,240, 30, 20, 15, 10, 20, 25, 30, 25. Kerb: Standard, three months £6,220, 10. Afternoon: Standard, three months £6,220, 35, 50, 55, 60, 80, 70, 75. Kerb: Standard, three months £6,265, 60, 50.

LEAD—Little changed on balance with forward metal moving between £338 and £331 as speculative and hedge selling was met by trade buying. Three months closed the late Kerb at £337. Turnover: 14,675 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	326-.5	—2.5	325-6	—2.25
3 months	334-.5	—2.25	334.5-6	—.25
S'ment	326.5	—2.5		......
U.S. Spot	—	......	*36-8	......

Morning: Cash £326, three months £335.5, 34, 31, 33, 34, 35, 34, 33, 33.5, 34. Kerb: Three months £334, 35. Afternoon: Cash £326, three months £334, 33, 34, 35. Kerb: Three months £335, 34.5, 35, 35.5, 36, 37.

ZINC—Firmer with the market awaiting the result of the Cominco strike ballot. Forward metal dipped to £418 in the morning Rings owing to speculative selling, but moved ahead sharply in afternoon trading when the price touched £430 before closing the late Kerb at £429. Turnover: 11,350 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	408-9	—.5	413-4	+6.75
3 months	418.5-9	+1.25	423.5-4	+7.25
S'ment	409	—.5		
Primw'ts	..	......	*45.75	......

Morning: Cash £408, three months £424, 23, 22, 21, 20, 19, 18, 19, 18.5, 18, 19, 18, 19, 18.5, 18, 18.5, 19. Kerb: Three months £420, 21, 20. Afternoon: Three months £420, 21, 22, 25, 25.5, 25, 24.5, 24, 23.5. Kerb: Three months £426, 27, 28, 28.5, 28, 27, 26, 25, 25.5, 26, 27, 28, 29, 30.

ALUMINIUM—Steady in quiet and routine trading which saw forward metal close the afternoon Kerb at £643. Turnover: 4,575 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	621.2	—2	625.4	—.5
3 months	641-.5	—1.5	643.4	+.75

Morning: Three months £643, 41, 41.5. Kerb: Three months £641. Afternoon: Three months £641, 40, 40.5, 40, 39, 39.5, 41, 41.5, 42, 43. Kerb: Three months £643.

NICKEL—Quietly steady with forward metal moving in a narrow range prior to closing the afternoon Kerb at £3,092.5. Turnover: 546 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	3085-95	+7.5	3085-90	—5
3 months	3085-90	+28	3085-90	+10

Morning: Three months £3,090, 85. Kerb: Three months £3,085. Afternoon: Three months £3,090, 95, 90. Kerb: Three months £3,090.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 0.55p an ounce lower for spot delivery in the London bullion market yesterday at 525.95p. U.S. equivalents of the fixing levels were: spot $10.869, down 14.8c; three-month $11.395, down 14.6c; six-month $11.905, down 15.8c; and 12-month $12.865, down 9.9c. The metal opened at 523-530p ($10.80-$10.95) and closed at 520-527p ($10.75-$10.90).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	525.95p	—0.55	525.0p	+0.5
3 months	540.75p	—1.55	540.25p	—0.25
6 months	557.60p	—1.40	—	......
12 months	592.70p	+1.40	—	......

LME—Turnover 62 (79) lots of 10,000 ozs. Morning: three months 540, 40.5, 40, 39.5, 40.5, 39.5, 40. Kerb: three months 540.5. Afternoon: cash 525; three months 539, 41, 40, 40.1. Kerb: three months 540, 41, 40.

COCOA

During a featureless day futures eased in dull trading conditions for prices to close with small losses. Actuals business was disappointingly quiet with producers reluctant to pursue the lower levels while consumers showed only modest interest on a scale down basis, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
May	891-893	—6.0	896-890
July	905-906	—6.5	910-905
Sept	925-926	—6.0	928-924
Dec	950-951	—4.5	952-948
March	971-972	—5.0	974-971
May	991-992	—5.5	992-988
July	1005-1010	—5.0	1007-05

Sales: 3,411 (2,878) lots of 10 tonnes.

ICCO Futures—Daily price for May 13: 88.23 (88.39); five-day average 89.95 (90.61).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 238 tonnes, bringing the total for the week so far to 723 tonnes. A better offtake was experienced, although buying was still hampered by uncertainty. Users wanted additional supplies of Middle Eastern qualities, notably those grown in Russia and Turkey.

COFFEE

In line with expectations Robustas opened £5-7 lower, reports Drexel Burnham Lambert. Prices were continually under pressure in early activity but generally maintained a steady tone around recent chart support levels. Heavy cross and switch trading was evident during an active afternoon with further losses triggered by Commission House selling towards the closing call.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
May	1030-32	—12.5	1044-30
July	1046-47	—12.0	1055-45
Sept	1052-53	—8.0	1057-50
Nov	1046-47	—8.0	1051-44
Jan	1034-36	—14.0	1043-36
March	1026-28	—17.0	1041-28
May	1026-32	—17.5	1039-32

Sales: 4,728 (3,143) lots of 5 tonnes.

ICO Indicator prices for May 13: (U.S. cents per pound): Comp. Daily ICA 1976 119.30 (120.69); 20-day average 120.62 (120.60).

GAS OIL FUTURES

The market opened fairly steady and fell back during the morning before rallying on Middle East news. In the afternoon it fell to the lows and traded actively at around these levels before steadying towards the close, reports Premier Man.

Month	Yesterday's close	+ or —	Business Done
	$ U.S. per tonne		
June	277.00	—1.50	278.00-75.25
July	277.50	—1.75	278.50-76.25
August	282.25	—2.25	283.00-81.00
September	287.50	—1.50	287.50-85.00
October	292.50	—0.25	292.75-91.00
November	297.00	—1.00	296.00-95.75
December	301.50	—1.00	301.75-01.00
January	305.50	—0.75	306.00-05.25
February	310.75	—0.75	—

Turnover: 912 (733) lots of 100 tonnes.

GRAINS

Old crop wheat opened unchanged at 10p lower on July. Buying interest held values steady throughout the day. May barley opened 25p lower and in quiet trade closed 10p up on the day. New crop wheat opened 5p up. Good buying interest was seen and despite some hedge selling values closed steady 15-35p up. Barley opened unchanged to 10p lower in light trade. Values closed about steady, unchanged to 5p down. Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
May	113.20	+0.55	100.05	+0.10
July	115.30	—0.50	—	—
Sep	101.40	+0.30	95.40	—0.05
Nov	105.15	+0.20	99.10	—0.05
Jan	109.15	+0.35	102.60	—0.05
Mar	112.80	+0.15	106.00	—0.15

Business done—Wheat: May 113.25-113.00, July 115.10-114.70, Sept. 101.45-101.10, Nov. 105.15-104.95, Jan. 109.15-108.85, March 112.80-112.55. Sales: 215 lots of 100 tonnes. Barley: May 100.10-99.60, Sept. 95.45-95.35, Nov. 99.10-98.05, Jan. 102.60 one trade, March 106.00 one trade. Sales: 71 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent May 110.25, June 108.50, July 107.25 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent June 106.75, July 106.50 transhipment East Coast sellers. Maize: S. African Yellow June/July 90.00 seller. Barley: English Feed fob July/Aug. 92.50 East Coast seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: N. West 118.50. Feed barley: S. East 100.30, S. West 102.60, W. Mids. 100.00, N. West 101.60. The UK Monetary Coefficient for the week beginning Monday May 18, is expected to remain unchanged.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo). May 487.3, 488.0, 488.0-481.0; July 495.7, 496.9, 497.0-494.0; Oct. 491.5, 492.0, 492.0-490.5; Dec. 497.5, 498.0, 498.5-495.0; March 505.0, 506.0, 505.0-502.5; May 513.5, 515.0, 513.0-511.0; July 517.9, 518.0, 518.0-516.2; Oct. 517.5, 518.0, 518.0-515.0. Sales: 239.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo). May 356 buyer, 360; Aug. 370, 377, nil; Oct. 370, 375, 372-371; Dec. 375, 379, 376; Jan. 377, 383, 377; March 383, 389, 383; May 392, 397, nil; Aug. 401, 404, 401-400; Oct. 403, 404, nil. Sales: 30.

BRADFORD WOOL—The market was generally firmer, but business was quiet. Tops were quoted up to two pence higher, mainly because of the continuing strength of the U.S. dollar.

RUBBER

The London physical market opened about unchanged, with little interest throughout the day, closing about easier. Lewis and Peat reported a fob June price for No. 1RSS in Kuala Lumpur of 269.0 (268.5) cents a kg and SMR 240.5 (240.0).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
June	55.40-55.50	55.90-56.50	56.10-55.50
July	56.50-56.90	57.50-57.80	—
Jly-Sept	58.00-58.20	58.50-58.90	58.10-58.00
Oct-Dec	61.50-61.40	61.90-62.10	62.20-61.50
Jan-Mar	64.10-64.20	64.70-64.90	65.00-64.10
Apl-Jne	67.00-67.10	67.60-67.70	68.10-67.50
Jly-Sept	69.70-69.90	70.50-70.60	
Oct-Dec	72.80-72.90	73.40-73.50	73.60-76.10
Jan-Mar	75.70-75.80	76.30-76.40	77.00-75.70

Sales: 351 (167) lots of 15 tonnes 54 (nil) at 5 tonnes. Physical closing prices (buyers) were: Spot 54.50p (54.75p); June 58.00p (58.50p); July 58.50p (59.00p).

SOYABEAN MEAL

The market opened slightly higher on weaker sterling, reports T. G. Roddick. Prices drifted during the afternoon session. However late trade buying rallied the market to close with gains of £1-£1.50.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
June	131.20-31.5	+0.70	131.50
August	133.00-33.1	+0.40	133.10-31.70
October	135.00-35.1	+0.70	135.00-33.70
December	136.50-37.0	+1.80	135.80
February	137.00-39.0	+1.25	—
April	137.00-41.0	+0.50	—
June	138.00-43.0	+0.50	—

Sales: 62 (112) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £173.00 (£169.00) a tonne cif May-June shipments. White sugar daily price £192.00 (£190.00).

Prices were contained within a £4 range in dull trading conditions: the re-imposition of export quotas under the ISA, having been largely anticipated, had little effect on the market, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	175.10-75.20	173.80-73.85	177.00-72.50
Oct.	178.50-76.70	173.50-73.70	179.00-74.00
Jan.	178.00-78.50	177.00-78.00	180.00-77.00
March	181.50-81.80	180.50-81.50	183.50-79.50
May	182.50-83.00	182.00-82.50	183.75-82.00
Aug	184.00-85.00	182.75-84.50	186.00
Oct	185.50-86.55	184.50-85.50	187.00-82.50

Sales: 5,410 (8,328) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £260.0 (£255.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for May 13: Daily price 14.34 (14.01); 15-day average 15.29 (15.50).

POTATOES

LONDON POTATO FUTURES — The market was quiet and was initially easier, but closed steady with late buying interest, reports Coley and Harper. Closing prices: Nov. 58.60, +0.1 (high 58.50, low 58.10); Feb. 66.70, +0.4 (high 66.50, low 66.10); April 73.40, +0.1 (high 73.40, low 73.10). Turnover: 42 (132) lots of 40 tonnes.

PRICE CHANGES

	May 14 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1295/1325	......	$1380/410
Copper			
Cash w'bar	£855	—1.5	£830.5
3 mths	£858.75	—1.5	£849.5
Cash Cathode	£826.5	—2	£823.25
3 mths	£846.5	—2	£837.75
Gold troy oz.	$477.5	—6	$482.5
Lead Cash	£325.5	—2.25	£344.25
3 mths	£335.25	—0.25	£350.25
Nickel	£3,504.50	......	£3,379.50
Freemkt	295/310c	......	290/305c
Platin'mt'y oz	£230.0	+9	£213.5
Freemkt	£223.40	—0.55	£217.75
Quicksilver†	$425/435	......	$415/420
Silver troy oz.	525.95p	—0.55	515.55p
3 mths	540.75p	—1.55	530.50p
Tin Cash	£6,190	+95	£5,082.5
3 mths	£6272.5	+87.5	£5,142.5
Tungsten 22.04lb	$147.31	......	$147.64
Wolfrm 22.04 lbs	$142/146	......	$144/47.5
Zinc Cash	£413.5	+6.75	£379.25
3 mths	£423.75	+7.25	£390.25
Producers	$875	......	$875
Oils			
Coconut (Phil)	$550x	+0.5	$550
Groundnut	‡		‡
Linseed Crude	£450	+5	£406
Palm Malayan	$560y	......	$577.5
Seeds			
Copra Philip	$585u	......	$375
Soyabean (U.S.)	$310x	......	$316
Grains			
Barley Fut. Sep	£95.40	—0.05	‡
Maize	‡		£125.5
Wheat Fut. Sept	£101.40	+0.3	‡
No2 Hard Wint	£106.75z		£106.5
Other commodities			
Cocoa ship't	£1,006	—7	£1,058
Future July	£905.5	—6.5	£997.5
Coffee Ft July	£1046.5	—12	£1,069
Cotton A.Index	87.35c	+0.3	88.15c
Rubber (kilo)	54.5p	—0.25	52.5p
Sugar (Raw)	£173	+4	£190
Woolt'ps 64s kl.	337p kilo	+2	325p kilo

‡ Unquoted. u May-June. v June-July. x June. y July. † Per 45-lb flask.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 75.0 to 78.0: Ulster hindquarters 90.0 to 94.0, forequarters 53.0 to 57.0; Eire hindquarters 90.0-93.0, forequarters 54.0 to 57.0. Veal: Dutch hinds and ends 122.0 to 129.0. Lamb: English small 86.0 to 96.0, medium 84.0 to 92.0; Imported Frozen—New Zealand PL 70.0 to 70.0, PM 68.0 to 68.0. Pork: English, under 100 lb 46.0 to 52.0, 100-120 lb 46.0 to 51.0, 120-160 lb 43.0 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets on May 14. GB—Cattle 93.56p per kg lw (+0.91). UK—Sheep 183.73p per kg est dcw (—5.88). GB—Pigs 75.31p per kg lw (—0.92).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 4.50, 64 4.70, 72 5.00, 88 4.20, 112 4.00, 138 3.80; Californian: 88/138 4.50-4.80; Jaffa: Valencia Lates 50/129 4.30-4.85; Cyprus: Valencia Lates 80/120 3.20-3.50; Moroccan: Lates 56/113 3.30-5.00. Lemons—Spanis: Trays 25/50 1.80-2.20; Boxes 60/100 5.20; Californian: 115/140 5.80-6.20; Italian: 100/120 4.90-4.80; Outspan: 80/100 5.00-5.40; Jaffa: cartons 60/90 4.80-5.20. Grapefruit—Outspan: 40 3.80, 48 4.50, 64 4.70, 72 4.50; Cyprus: 20-kg 40/64 3.80-4.80; Jaffa: 20-kg 36/75 3.85-4.65. Topaz—Jaffa: 22-lb 40/80 2.80-3.00. Apples—S. African: Granny Smith 7.00-7.40, Golden Delicious 7.50-7.80, Starking 7.00-7.40; Chilean: Granny Smith 6.80-7.20; Canadian: McIntosh Reds 3.20; U.S.: Red Delicious 8.50-10.00; French: Golden Delicious 40-lb 125/175 4.00-4.80; 20-lb 72 2.40; 84 2.00; Italian: 40-lb Romes 60/70 4.40-4.80; New Zealand: Cox's Orange Pippins 9.60-10.50, Captain Kidd 7.00, Spartans 7.00, Golden Delicious 6.80; Tasmanian: Jonathen 6.40, Golden Delicious 7.00. Pears—Belgian: Conference per pound 0.10-0.12; Italian: Passacrassana 0.12-0.14; S. African: Packhams 6.00-7.20, Beurre Bosc 5.50; Victorian: Packhams 40-lb 8.00-8.50; Tasmanian: Packhams 40-lb 6.80-7.40, Comice 7.00. Cherries—U.S.: 18-lb, per pound 1.20-1.40; French: 11 lb, per pound 0.60-0.70. Grapes—S. African: 9-lb Barlinka 4.50; Chilean: Almeria 11-lb 7.80-8.00. Melons—Carmel: Yellow 6/10 7.20-8.00; Chilean: 15-lb 8/10 8.00; Puerto Rican: White 8/9 8.00. Strawberries—U.S.: 12oz 1.20; Italian: 8oz 0.40. Peaches—Spanish: 54/59 4.00; Carmel: 27s 2.70. Pineapples—Ivory Coast: Each 0.45-1.00; S. African: Shelford 50/9 2.80-3.20. Bananas—Colombian: Per pound 0.17-0.18. Avocados—Florida: 20/24 6.50; S. African: 14/16 4.00. Tomatoes—Dutch: 13-lb 4.20-4.40. Onions—Dutch: 6.00-7.50; Chilean: Nets 8.80; Canary: 25-kg 8.80; Carmel: 9.00. Potatoes—Jersey New Potatoes: Per pound 0.25; Egyptian: 44-lb Edwards 3.70; Cyprus: 44-lb bags 4.40; Canary: 25-kg 8.00; Spanish: Valencia 44-lb 3.50; Greek: Spuntas 55-lb 4.50; Majorca: 44-lb 4.50-5.20. Capsicums—Canary: 6-lb green 3.30, red 7.50.

English Produce: Potatoes—Per bag 2.50-3.40. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15, Laxtons 0.08-0.12, Cox's 0.14-0.22. Cauliflowers—Per 12, Kent 2.00-3.00, Lincoln 1.50-1.80. Cabbages—Per bag 3.20, Spring 22-lb 3.00-3.20. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.20-1.40, Cos 10/12 1.50. Tomatoes—Per 12-lb D 4.20, E 3.80. Leeks—Per 10-lb 1.80-2.00. Rhubarb—Per pound, outdoor 0.04-0.05. Carrots—Per 28-lb 3.50. Radishes—Per pack of 12 x 8oz 1.20, bunches of 15 1.20. Onions—Per 55-lb 40/60 7.00, 60/80 7.50; Spring trays x 20 bunches 1.50.

*

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.50-£5.00, codlings £2.00-£3.40. Large haddock £3.70-£4.20, medium £3.50-£4.20, small £2.20-£3.20. Large plaice £3.70, medium £4.00-£4.50, best small £3.00-£4.20. Skinned dogfish (large) £5.50, (medium) £3.38. Lemon soles (large) £9.00, (medium) £8.50. Saithe £2.00-£2.40.

AMERICAN MARKETS

NEW YORK, May 14.

The precious metal markets were higher and mixed, with gold recovering from early lows on a weakening dollar. Sugar, cocoa and coffee remained under pressure from commission house liquidation in a follow-through to the previous day's decline. The livestock complex was mixed with cattle and hogs firm while pork bellies continued to decline on large inventories. Cotton found support ahead of the export sales report, reported Heinold.

Copper—May 78.95 (79.55), June 79.75 (80.30), July 80.90-81.10, Sept. 83.70-83.90, Dec. 87.70-87.90, Jan. 88.90, Mar. 91.40, May 93.55, July 95.80, Sept. 98.05, Dec. 101.45, Jan. 102.55, Mar. 104.75.

Potatoes (round whites)—Nov. 71.1-71.2 (72.3), Feb. 78.1-78.5 (78.1), Mar. 83.4-83.5, April 84.1-84.2. Sales: 129.

§Silver—May 1088.7 (1096.5), June 1097.0 (1105.0), July 1112.0-1116.0, Sept. 1150.0, Dec. 1203.0, Jan. 1220.2, Mar. 1254.7, May 1289.2, July 1323.7, Sept. 1358.2, Dec. 1410.2, Jan. 1427.2, Mar. 1461.7. Handy and Harman bullion spot 1081.00 (1089.00).

Sugar—No. 11: July 14.45-14.49 (14.76), Sept. 14.90-14.95 (15.10), Oct. 15.05-15.10, Jan. 15.20-15.30, Mar. 15.65-15.70, May 15.80-15.85, July 16.15-16.20, Sept. 16.43-16.49, Oct. 16.40-16.70. Sales: 4,470.

Tin—589.00-600.00 (586.00-597.00).

CHICAGO, May 14.

Lard—Chicago loose 19.50 (same). Live Cattle—June 68.15-68.25 (67.62), Aug. 65.95-65.85 (65.65), Oct. 64.55-64.40, Dec. 65.50-65.55, Feb. 67.20, April 68.47, June 69.70.

Live Hogs—June 48.67-48.55 (48.27), July 51.10-51.20 (50.62), Aug. 51.70-51.50, Oct. 51.17-51.10, Dec. 53.35, Feb. 55.55-55.65, April 55.25, June 57.32, July 57.00.

‡‡Maize—May 344 (341¾), July 354¾-355 (351½), Sept. 363¾-364, Doc. 368¼-368¾, Mar. 381¼, May 388¾.

Pork Bellies—May 44.45 (46.00), July 45.65-45.99 (47.25), Aug. 45.70-45.55, Feb. 63.30-63.45, Mar. 63.50, May 65.00, July 68.25, Aug. 66.05.

†Soyabeans—May 751 (740), July 767-766 (760¼), Aug. 773½-773, Sept. 776-779, Nov. 791-792, Jan. 811-810, Mar 833, May 847½.

||Soyabean Meal—May 217.0 (216.2), July 220.5-220.7 (219.3), Aug. 222.3-222.2, Sept. 223.5, Oct. 224.5, Dec. 229.2-229.0, Jan. 232.0, Mar. 238.5-239.0, May 240.0-241.0.

Soyabean Oil—May 23.13-23.10 (22.91), July 23.76-23.71 (23.56), Aug. 24.18-24.15, Sept. 24.55-24.60, Oct. 24.90, Dec. 25.60, Jan. 25.90, Mar. 26.35-26.45, May 26.85-26.90, July 27.20-27.40.

†Wheat—May 400 (399), July 415½-415 (414¾), Sept. 432-432½, Dec. 457-456½, Mar. 480½, May 489½.

WINNIPEG, May 14.

§Barley—May 150.10 (148.20), July 150.90 (149.20), Oct. 149.00, Dec. 149.50, Mar. 150.40.

*Platinum—May 460.5 (458.7), June 466.0 (464.7), July 470.0-472.0, Oct. 491.7, Jan. 512.5, April 533.5.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 281.44 (—).

*Gold—May 483.4 (478.4), June 485.5-487.5 (482.0), July 493.8, Aug. 500.0-502.0, Oct. 514.5-516.5, Dec. 530.5-531.5, Feb. 546.0, April 559.9, June 574.6, Aug. 589.3, Oct. 604.0, Dec. 618.9, Feb. 633.9.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, May 14.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent May 207, June/July 203, Aug. 209. U.S. No Two Red Winter May/June 170, June 170, July 175. U.S. No Two Northern Spring 14 per cent May 208, June/July 207, Aug. 206, Sept. 207, Oct 212, Nov. 215.

Maize—(U.S. $ per tonne): U.S. No Three Corn Yellow afloat May/June 158, July 160, Aug. 164.50, Sept. 165, Oct./Dec. 167.50, Jan./Mar. 177.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports May/June 304.50, July 305.25, Aug. 309, Sept. 311, Oct. 313, Nov 314, Dec. 320, Jan. 326, Feb 332.50, Mar 336. Argentine May 297.50, June 297.25, July 298.50, Aug. 305.50 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 267.50/262.50/261.50 traded, afloat 261.50, June 266, July 268, Nov./Mar 285. Brazil Pellets afloat 275, May 276, June/July 260, July Sept. 283.

PARIS, May 14.

Sugar—(FFr per tonne): July 2151/2160, Aug. 2155/2159, Oct. 2101/2105, Nov. 2095/2110, Dec 2100/2130, Mar. 2170/2190, May 2180/2220, July 2185/230. Sales at call: nil.

INDICES

FINANCIAL TIMES

May 13	May 12	Month ago	Year ago
252.77	252.56	260.96	273.16

(Base: July 1, 1952=100).

MOODY'S

May 13	May 12	Month ago	Year ago
1073.9	1074.8	1141.1	1136.6

(December 31, 1931=100)

DOW JONES

Dow Jones	May 13	May 12	Month ago	Year ago
Spot	386.52	386.97	408.27	441.60
Fut'rs	396.85	397.19	418.20	443.15

(Average 1924-25-26=100)

REUTERS

May 14	May 13	M'nth ago	Year ago
1686.2	1684.0	1692.0	1722.0

(Base: September 18, 1931=100)

PUBLIC NOTICES

NORFOLK C.C. BILLS
£7m Bills from 13.5.81 to 12.8.81 at 11 21/64%. Applications £43m. £15m outstanding.

READING B.C. BILLS
£1.6m Bills from 13.5.81 to 12.8.81 at 11 21/64%. Applications £14.4m. None outstanding.

ROTHERHAM B.C. BILLS
£2m Bills from 13.5.81 to 12.8.81 at 11 21/64%. Applications £15m. £3m outstanding.

LONDON STOCK EXCHANGE

Recent slide halted as equities close higher for only second time in current Account—Gilts irregular

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
May 1	May 14	May 15	May 26
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Leading shares managed to close better for only the second session in the current two-week trading Account which ends today. The retreat from the record peaks of just a fortnight ago has disturbed potential buyers and created uncertain conditions, circumstances in which rumours of broking financial difficulties have germinated.

More pertinent reasons for the decline, however, are the continued upward pressures on American interest rates and virtual daily announcements of companies proposing to raise fresh funds. This week's events on the Paris bourse following the French presidential election have influenced sentiment, too, along with sterling's weakness against the dollar.

The equity leaders struggled to make headway early yesterday but the later appearance of a few decent-sized investment orders intermingled with "new-time" inquiries eventually pushed values higher. Speculative interest was fired by situation issues such as **Commercial Bank of Australia** and **William Collins**, both of which were outstanding, while many other stocks benefited from trading announcements.

Illustrating the overall pattern in leading industrials, the FT 30-share index was less than a point up at noon, but went sharply higher in the next hour and maintained the improvement to close 6.8 up on the day at 558.1.

Government securities adopted contrasting trends. The shorts encountered persistent small selling and lost ¼ in a market sensitive to uncertainties about international interest rate levels and the recent weakness of sterling against the dollar. On the other hand, medium and longer-dated stocks gained ¼ despite a limited amount of business. Confirmation of last month's rise in sterling M3 made no impression on sentiment.

Traded options business saw 1,110 deals completed compared with the previous day's 1,233. Racal contributed 295 transactions, 147 in the August 390 series.

Business Computers staged a successful debut in the Unlisted Securities Market; placed at 85p, the shares opened at 105p and advanced to 114p.

CBA up on new bid

Interest in the banking sector yesterday switched again to Australian issues. **Commercial Bank of Australia**, already in receipt of a bid from the Australia and New Zealand Bank, jumped smartly on the surprise agreed counter-bid from Bank of New South Wales. **CBA** advanced 85 more to 405p, after 425p, up 230 since the beginning of the month, while **Bank of New South Wales** lost 8 to 175p. **Commercial Bank of Sydney** added 35 to 360p on hopes of an increased offer from the **National Bank of Australasia** with the latter up 18 at 213p, after 215p. Elsewhere, **Hongkong and Shanghai** firmed 7 to 139p following the chairman's encouraging statement. Home banks trended quietly firm with **Lloyds** closing 5 better at 345p. **Bank of Ireland** were maked up 7 to 307p on the results, while **Bank of Scotland** gained 10 to 358p.

The better-than-expected near-5 per cent improvement in first-quarter profits helped **Royals** to put on 13 to 383p, after 385p, and to restore confidence in Composite Insurances after recent weakness caused by disappointing statements from General Accident and Commercial Union. CU hardened 2 to 165p, after 169p, and GA put on 4 to 324p, after 328p, while GRE added 6 at 318p and **Phoenix** improved 4 to 270p.

Arthur Bell continued firmly in the Drinks sector, rising 8 afresh to 128p. **Davenports Brewery** hardened 2 to 128p in response to the increased interim dividend and first-half profits.

Secondary issues provided the notable movements in Buildings. **G. H. Downing**, in receipt of a 200p per share cash bid from Hanson Trust, added 6 more to 208p on hopes of an increased offer, while renewed speculative buying lifted **A. Monk** 5 to 42p and **French Kier** 5½ to 78½p. Demand ahead of today's interim results left **M. J. Gleeson (Contractors)** 2 dearer at 91p, but **William Leech** shed 7 to 99p following poor interim results. **Barratt Developments** revived and firmed 6 to 216p with the new nil-paid shares rising 4 to 26p premium. The leaders, a few pence firmer at one stage, drifted back to close little changed on balance.

The Chemical sector featured **Fisons** which gained 7 to 173p on speculative support. Business in ICI was small, but the price improved 4 to 304p.

Lee Cooper down

Leading Stores regained some composure after the previous day's depression caused by Woolworth's disappointing first-quarter results. **Woolworth** rallied 1½ to 64p following comment on the figures, while **Gussies "A"** retrieved 8 at 483p and **Marks and Spencer**, annual figures due on Wednesday, hardened a couple of pence at 137p. Elsewhere, **Lee Cooper** lost 15 to 170p on the poor preliminary profits. **John Menzies** fell a similar amount to 480p but **James Beattie "A"** rose 8 to 175p in busy trading on further consideration of the results.

Selective demand developed in the Electrical sector. Among the leaders, **Racal**, still benefiting from the orders for the Jaguar tactical radios, improved 8 more to 389p. **Plessey** also found support at 287p, up 7, while **GEC** firmed 6 to 663p. Secondary issues were featured by a rise of 14 to 407p in **United Scientific** following satisfactory half-yearly results. **Eurotherm** revived with a gain of 10 to 290p, while rises of 8 and 13 respectively were recorded in **Ferranti**, 508p, and **STC**, 503p. **Farnell** improved 7 to 455p following the chairman's annual review. **Lec Refrigeration** rallied 4 to 176p and **Pifco** attracted buyers at 170p, up 5.

Leading Engineerings edged a little higher after an uncertain start. Occasional buying lifted **Hawker** 6 to 324p, while **Vickers** hardened 3 to 195p and **GKN** 2 to 173p. Against the trend, **Tubes** closed 8 cheaper at 186p, the reaction mainly reflecting overnight offerings. Elsewhere, Press mention stimulated interest in **Westland** which closed 3 better at 141p, while **Tecalemit** closed 6½ dearer at 57½p, after 59p, despite the company's denial of bid talk. Late demand lifted **Clayton Son** 6 to 88p. Smaller-priced issues to make headway included **Aurora**, 3 firmer at 31p, and **Habit Precision**, 2 better at 15½p. **Serk**, however, fell 3 to 40p on the sharp fall in half-year profits and the passing of the interim dividend.

The volume of business in Foods contracted, but prices occasionally improved. **J. Sainsbury** revived and firmed 6 to 398p, while **Northern Foods** hardened a couple of pence to 164p. **Associated Biscuit** added 3 to 76p, as did **British Sugar**, to 323p. Elsewhere, **Avana** improved 5 to 283p, while **Associated Fisheries** added 3 to 63p, the latter on revived bid hopes.

Dull on Wednesday on rights issue rumours, **Grand Metropolitan** hardened a penny to 193p awaiting today's half-yearly statement. Elsewhere in Hotels and Caterers, **Comfort** shed 2 to 23p following disappointment with the preliminary results, but **Epicure** put on 3½ to 31p following an investment recommendation. **Wheeler's Restaurants** attracted renewed speculative support and, in a thin market, advanced 13 to 403p.

Unilever wanted

Unilever stood out among firmer miscellaneous industrial leaders, rising 21 to 543p on buying ahead of Monday's first-quarter results. **Reckitt and Colman** put on 6 to 246p and **Bowater** gained 5 to 252p, while **Boots**, 245p and **Turner and Newall**, 100p, gained 4 apiece. Elsewhere, **Johnson Matthey** rose 12 to 269p in a thin market and **Charles Hill of Bristol** on the results, added 3 to 45p. **Alpine** revived with an improvement of 4 at 75p and **Hoskins and Horton** put on 5 to 63p. Far-Eastern influences prompted a rise of 7 to 157p in **Hutchison Whampoa** and a gain of 11 to 183p in **Jardine Matheson**. **Letraset** fell 5 more for a two-day relapse of 12 at 83p on further consideration of the mounting losses at its Stanley Gibbons subsidiary. **John Williams of Cardiff** slumped 9 to 28p on news of the interim dividend cut and first-half deficit.

Motor Components usually improved, **Dunlop** adding 3 to 80p, **Lucas** 4 to 219p and **Dowty** 5 to 263p. Garages were barely tested and held close to overnight levels.

William Collins advanced 22 more to 235p and the A 7 to 165p, after 173p on hopes that News International will increase its offer, or a rival bid will emerge. **Associated Book Publishers** firmed 8 to 258p. Paper/Printings displayed two contrasting features. **Jefferson Smurfit** dipped to 150p before closing 9 down at 157p following the annual results and proposed £15m rights issue, but **Usher-Walker** jumped 10 to 62p in response to the preliminary results.

Dull of late on lack of support and sporadic selling, Properties staged a modest revival with **Land Securities** improving 3 to 418p ahead of next Monday's preliminary results. Elsewhere, **Law Land** rose 5 to 96p on revived bid rumours, while **Trust Securities** attracted renewed support and firmed 8 to 358p. **Laing Properties** were quoted ex all at 205p; the new 8¾ per cent Convertible 2000/05 closed at £9 premium in nil-paid form.

Oils better

Oils maintained the previous day's late firm trend with **BP** rising 6 to 400p and **Shell** 4 to 398p. **Lasmo**, 595p, and **Tricentrol**, 244p, rose 10 and 6 respectively. **British Borneo** closed 2 dearer at 292p following the preliminary results, while **Premier**, up 4 at 78p, reflected a brokers favourable circular.

Boustead lost 5 more to 154p after 148p, on fading bid hopes in quietly mixed Overseas Traders.

Movements in Trusts were usually small and irregular, but **Construction Holdings** advanced 12 to 205p in response to the bid from Fulcrum Investment. Among Financials, fresh demand lifted **Mercantile House** 20 more to 770p.

Quiet conditions prevailed in the Textile sector with prices inclined easier, where altered. **Bulmer and Lumb** 49p, and **S. Lyles**, 60p, gave up 2 apiece.

Padang Senang, 6 better at 73p, provided an isolated firm feature in Plantations.

In South Africans, **Barlow Rand** closed 7 lower at 450p following the results.

RTZ improve

London-registered Financials made the running in mining markets. After an uncertain start, **Rio Tinto-Zinc** rallied strongly on investment demand and "new-time buying to close 11 better on balance at 536p after having touched 522p, while **Gold Fields** advanced 10 to 495p and **Charter** 3 to 245p.

South African Financials were featured by "**Johnnies**" which rose ¼ more to a 1981 high of £33¼ reflecting the recent strength of the free market platinum price. Elsewhere, **New Wits** added 4 to year's high of 232p and **De Beers** put on a like amount to 400p.

Golds drifted in line with the bullion price—finally $6 down at $477.50 an ounce. The Gold Mines index gave up 4.0 to 368.0. Heavyweights showed falls ranging to ¾ as in **Western Holdings**, £37¾, while losses of ¼ were common to **Kloof**, £15¾, **West Driefontein**, £39¼, and **President Brand**, £21.

In Central Africans, **Wankie Colliery** eased a penny to 39p, still reflecting the Zimbabwe Government's refusal to grant price increases for coke and coal.

Australian mines suffered from lack of interest, being overshadowed by the takeover activity in down-under banks. The leading issues showed **Peko-Wallsend** 25 down at 480p and **Western Mining** 5 cheaper at 267p. **Meekatharra** advanced 40 to 400p following the coal discovery near its Arckaringa coal reserves. The Rundle twins staged a modest rally with **Central Pacific** 5 up at 110p and **Southern Pacific** 3 firmer at 45p.

Elsewhere, **South West Consolidated Minerals** were unchanged at 41p following the acquisition of three mining prospects in Devon, Cornwall and Wales.

NEW HIGHS AND LOWS FOR 1981

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (63)

AMERICANS (9)
CANADIANS (4)
BANKS (5)
BUILDINGS (2)
CHEMICALS (2)
DRAPERY & STORES (1)
ELECTRICALS (3)
ENGINEERING (6)
HOTELS (1)
INDUSTRIALS (9)
MOTORS (1)
NEWSPAPERS (3)
PAPER (2)
PROPERTY (1)
SOUTH AFRICANS (1)
TEXTILES (1)
TRUSTS (8)
RUBBERS (1)
MINES (2)

NEW LOWS (23)

BRITISH FUNDS (5)
Treas. 15pc 1985 — Exchqr. 11¾pc '86
Treas. 11½pc 1985 (£30 paid) — Treas. 2pc I.L. (£65 paid)
Exchqr. 12¼pc '85

CORPORATION LOANS (3)
Bath 11¼pc 1985 — Cardiff 11pc 1986
Burnley 13pc 1987

CANADIANS (1)
Can. Pac. 4pc Deb.

BANKS (2)
Standard Chartered — Cie. Bancaire

CHEMICALS (1)
Norsk Hydro

ELECTRICALS (1)
Forward Technology

INDUSTRIALS (1)
Letraset

TEXTILES (1)
Snia Viscosa Priv.

OIL & GAS (4)
Gulfstrm. Res. Can. — Silkolene
Moonie Oil — Strata Oil

OVERSEAS TRADERS (1)
Mitchell Cotts

MINES (3)
Cultus Upacific — York Resources
Minefields Explrtn.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	19	29
Corpns. Dom. and Foreign Bonds	3	5	59
Industrials	286	198	883
Financial and Prop.	123	90	283
Oils	27	28	32
Plantations	5	3	15
Mines	34	57	75
Others	85	27	67
Totals	611	425	1,443

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Boustead	154	−5	Johnson Matthey	269	+2
Bowater	252	+5	RTZ	536	+11
Collins (Wm.) A	165	+7	Smurfit (Jeff.)	157	−9
Comm. Bank Australia	405	+85	Tecalemit	57½	+6½
Cons. Gold Fields	495	+10	Unilever	543	+21
Dunlop	80	+3	Westland	141	+3

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Wed's closing price pence	Day's change	Stock	No. of price changes	Wed's closing price pence	Day's change
Polly Peck	22	250	−30	Ultramar	14	447	−3
GEC	19	657	−3	BAT Inds.	13	344	−6
P. & O. Dfd	16	138	−1	KCA	13	190	−2
ICI	15	300	−2	RTZ	13	525	—
Woolworth	15	62½	−6	Shell Trans.	13	394	+4
Cornell Dresses	14	125	−13	Blue Circle	12	470	—
GUS A	14	475	−10	Brit. Aerospace	12	214	−4

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 11	May 22	Aug. 6	Aug. 17
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21

For rate indications see end of Share Information Service

Money was give nfor the call of KCA International, GKN, Premier Consolidated, First National Finance, Dunlop, ICI, Brooke Bond, Town and City, Coats Patons, Redland, Rank Organisation, Debenhams, Turner and Newall, Charterhall, United Drapery, Double Eagle, Phoenix Timber, Trusthouse Forte and Burmah Oil. No puts were reported, but KCA International and Charterhall were dealt in for the put.

FINANCIAL TIMES STOCK INDICES

	May 14	May 13	May 12	May 11	May 8	May 7	A year ago
Government Secs.	66.53	66.42	66.38	67.05	67.05	66.74	67.67
Fixed Interest	69.05	69.13	69.19	69.36	69.47	69.39	68.02
Industrial Ord.	558.1	551.3	556.0	566.9	569.3	564.6	457.8
Gold Mines	368.0	372.2	365.8	367.8	388.1	381.2	308.1
Ord. Div. Yield	5.90	5.98	5.97	5.89	5.79	5.84	5.08
Earnings, Yld. % (full)	11.57	11.75	11.65	11.45	11.43	11.56	19.66
P/E Ratio (net) (*)	10.85	10.68	10.78	10.94	10.95	10.88	6.17
Total bargains	20,627	21,065	20,956	21,094	18,383	21,094	18,498
Equity turnover £m.	—	127.28	116.74	114.28	128.84	131.21	92.56
Equity bargains	—	15,703	14,856	16,786	14,976	15,570	15,615

10 am 551.8. 11 am 552.0. Noon 552.3. 1 pm 555.6.
2 pm 556.3. 3 pm 557.2.
Latest Index 01-246 8026.
*Nil = 5.98.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (28/3)	66.30 (12/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.03 (26/3)	69.05 (14/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	361.4 (29/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 13	May 12
Daily Gilt Edged Bargains	174.4	168.4
Equities Bargains	101.7	96.3
Value	257.3	256.0
5-day Avrge. Gilt Edged Bargains	185.0	192.6
Equities Bargains	99.6	102.0
Value	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26p.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	61.7	66.3	+0.6	2.19
Abbey Capital	51.4	55.5xd	+0.2	3.96
Abbey General	59.5	64.3	+0.4	4.78
Abbey Gilt & F.I. Tst.	103.5	108.9	-0.1	12.03
Abbey Income	39.1	42.3xd	-0.1	8.30
Abbey W'w.Bd.Tst.	96.0	101.6	+0.3	6.59
Abbey Inv. Tst. Fd.	52.9	57.2	-0.2	4.20
Equitas Prog. Tst.	84.5	91.4xd	+0.7	4.48

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.7	87.0xd	.....	13.00

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	94.9	101.5	+0.3	5.52
Brit. Inds. Fund	82.3	88.1	+0.6	5.79
Growth & Income	54.4	58.2	+0.3	4.64
Elect. & Ind. Dev.	47.5	50.8xd	+0.2	4.92
Allied Capital	100.6	107.6	+0.6	4.09
Hambro Fund	140.5	150.3	+0.5	5.53
Hambro Acc. Fund	192.2	205.6	+1.4	3.99
Income Funds				
High Yield Fd.	72.3	77.4	-0.1	7.75
High Income	85.3	91.3	.....	7.01
Equity Income Fd.	49.3	52.8	+0.2	6.92
Govt. Secs.	24.2	24.8xd	.....	12.50
International Funds				
International	37.1	39.7	.....	2.09
Japan Fund	27.0	28.9	.....	0.22
Pacific Fund	74.2	79.4	.....	0.79
Secs. Of America	82.4	88.2	+1.3	1.81
Specialist Funds				
Smaller Co.'s Fd.	61.2	65.5	-0.2	3.97
2nd Smlr. Co's Fd.	75.1	80.4	-0.3	3.73
Recovery Sits.	29.3	31.3xd	.....	4.50
Met. Min. & C'dty.	70.3	75.2xd	+0.3	4.88
Overseas Earnings	73.6	78.8	+0.5	4.68
Exempt Funds				
Income Exempt	56.3	59.1	+0.1	7.19
Far East Exempt	77.6	80.7xd	-0.1	0.93
Smaller Co. Exempt	96.8	101.6	+0.4	3.94
U.S.A. Exempt	134.0	139.4	+1.1	2.22

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	71.9	77.3	.....	3.21

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	165.0	175.0	.....	12.00
Leics.&Gen.Fd.	54.0	57.0	.....	—

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	42.75	45.0	.....	3.20
Do. Accum.	54.38	57.25	.....	3.20

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	37.9	40.8	.....	—
Commodity***	98.1	105.5xd	-2.0	2.07
(Accumulation)	155.2	166.9xd	-3.1	2.07
(10% Withdrawal)	71.0	76.4xd	-1.4	2.07
Eastern & Internatl.†	49.7	53.5	.....	1.00
(6% Withdrawal)	34.0	36.6	.....	1.00
Extra Income	92.8	99.8xd	-1.2	9.82
(Accumulation)	116.7	125.5xd	-1.4	9.82
Finance & Property*	27.0	29.1	.....	3.71
Foreign††	143.5	149.5	.....	1.00
Giants	52.3	56.3	+0.1	4.06
(Accumulation)	68.5	73.7	+0.1	4.06
Gilt & Fixed	40.1	42.0xd	.....	12.06
(Accumulation)	44.6	46.8xd	.....	12.06
Growth	46.5	50.1	-0.3	3.86
(Accumulation)	61.4	66.1	-0.3	3.86
High Income	38.0	40.8	-0.2	8.81
(Accumulation)	64.6	69.4	-0.2	8.81
(8½% Withdrawal)	50.4	54.1	-0.3	8.81
High Yield	45.0	48.4	-0.2	10.10
(Accumulation)	80.9	87.0	-0.4	10.10
North American††	39.1	42.1	.....	1.00
Preference	21.4	23.1xd	-0.1	13.35
(Accumulation)	43.5	46.8xd	-0.1	13.30
Smaller Companies	39.5	41.4xd	-0.1	3.23
(Accumulation)	39.5	41.4xd	-0.1	3.23

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	46.1	49.7	+0.9	0.50
Cres. Internat'l.	89.9	97.0	+1.3	1.61
Cres. High. Dist.	46.0	49.6xd	-0.1	9.58
Cres. Reserves	53.1	57.3	+0.3	5.13
Cres. Tokyo	37.5	40.5	-0.1	0.86

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.5	25.0xd	.....	8.87

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. April 30	266.9	284.6	.....	4.60

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.7	22.9	.....	6.17
Gt. Winchester O'seas	30.2	33.3	.....	3.19

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	94.6	99.5	+1.0	4.36

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

America (z)	41.7	44.9	+0.8	0.52
Amer. Spec. Sits. (z)	30.0	32.3xd	+0.7	0.22
Gilt + Fixed Int.	24.3	25.5xd	.....	12.32
Growth + Income	35.8	38.5	+0.1	6.59
Maximum Inc. Eq. Tst.	30.7	33.1	-0.1	8.09
Special Sits.	43.0	46.3	.....	1.65

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	40.0	43.0xd	.....	1.67
Accum. Units	50.0	53.5xd	.....	1.67
J. Finlay High Income	38.3	41.2	.....	9.36
Finlay Wld. Energy	18.1	19.5	+0.1	1.08
Accum. Units	23.5	25.2	+0.1	1.08
J. Finlay Fd.In.Tst.	41.0	44.1xd	.....	4.59
Accum. Units	53.1	57.1xd	.....	4.59

Prices on May 13. Next dealing May 21.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	89.8	96.0	+1.2	0.82
Am. T'around	83.4	89.0	+1.4	1.58
Capital Tst.	66.2	70.6xd	-0.2	4.29
(Accum. Units)	69.8	74.6	-0.2	4.29
Convertible & Gilt	49.2	51.6	-0.2	9.85
(Accum. Units)	49.2	51.6	-0.2	9.85
Extra Income Trust	56.8	60.6	.....	8.57
Income Tst.	45.6	48.6	-0.2	6.89
Int. Growth Fd.	71.0	75.8xd	+1.0	1.19
(Accum. Units)	76.6	81.8	+1.2	1.19

Robert Fraser Trust Mgt. Ltd.
28b Albemarle St., W.1. 01-493 3211

Robt. Fraser Ut. Tst.	86.8	93.4	.....	6.00

Friends' Provdt. Trust Mgrs. (a) (b) (c).
Pixham End, Dorking. 0306 5055

Friends Prov. Units	66.7	71.3	-4.2	4.10
Do. Accum.	97.5	104.2	-0.3	4.10

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital May 7	147.9	149.8xd	.....	4.67
Gross Inc. May 7	85.0	88.0	.....	11.02
High Yield May 7	97.5	101.0	.....	10.30

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

G.T. Cap. Income	162.5	174.7	.....	2.00
Do. Acc.	208.8	224.5	.....	2.00
G.T. Inc. Fd. Un.	226.4	243.4	.....	7.70
G.T. U.S. & Gen.	229.7	246.9xd	.....	1.30
GT Wld. Bd. Fd.	96.8	100.8	.....	7.10
G.T. Japan & Gen.	121.2	130.3	.....	1.10
‡Gt. Pens. Ex. Fd.	376.8	396.6	.....	1.50
G.T. Int'l. Fund	269.3	289.5	.....	1.60
G.T. Four Yds. Fd.	61.5	66.1	.....	6.20
G.T. Far East & Gen.	106.8	114.8	.....	1.20
G.T. Tech. & Gth. Fd.	94.8	101.9	.....	0.50

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood (0277) 227300

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99[illegible]	97¼	Exch. 9½pc 1981	99[illegible]	.....	9.54	11.54
97⅝	93¾	Exch. 3pc 1981	97⅝	.....	3.07	12.11
99[illegible]	99⅛	Treas. Variable '81§§	99[illegible]xd	.....	13.45	12.22
100[illegible]	99¼	Exch. 12¾pc 1981‡‡	100[illegible]xd	−[illegible]	12.68	11.55
97⅞	95[illegible]	Treas. 8½pc '80-82‡‡	97[illegible]	.....	8.70	12.09
95	91⅞	Treasury 3pc '82‡‡	94¼	.....	3.18	11.08
102[illegible]	100[illegible]	Treasury 14pc '82‡‡	101[illegible]	−[illegible]	13.79	11.87
99¼	98[illegible]	Treas. Variable '82§§	99[illegible]	−[illegible]	13.04	12.74
95¾	93[illegible]	Treasury 8¼pc '82	95[illegible]	−[illegible]	8.67	13.02
96[illegible]	93[illegible]	Exch. 9¼pc 1982	95[illegible]	−[illegible]	9.71	13.15
94⅞	92⅝	Exch. 8¼pc 1983	94[illegible]	−⅛	9.30	12.83
89¼	84⅞	Exch. 3pc 1983	88⅝	+⅛	3.38	10.15
99⅞	97⅜	Treasury 12pc 1983‡‡	97¾	−[illegible]	12.27	13.36
98¼	96¾	Treas. Variable '83 §§	98¼xd	.....	13.45	12.54
94⅛	92¼	Treasury 9½pc '83	92[illegible]	−[illegible]	9.97	13.13
101[illegible]	99⅞	Exch. 13½pc '83	100[illegible]xd	−[illegible]	13.48	13.42
94⅛	92¼	Exch. 10pc 1983	93[illegible]xd	−[illegible]	10.75	13.29
87¼	84½	Funding 5½pc '82-84‡‡	85⅞	.....	6.41	11.80
96⅜	94½	Exch. 11¼pc 1984	94⅞	−⅛	11.87	13.54
103[illegible]	100⅛	Exchequer 14pc 1984	100[illegible]xd	−[illegible]	13.62	13.62
80⅝	78½	Exch. 3pc 1984	79¼xd	.....	3.79	11.18
98⅜	95½	Treasury 12pc 1984	95[illegible]	−[illegible]	12.52	13.54
107¾	104[illegible]	Treasury 15pc 1985	104[illegible]	−[illegible]	14.39	13.51
98⅞	95⅛	Exch. 12pc Cnv. '85	95⅛	−[illegible]	12.61	13.64
75¾	73¼	Treasury 3pc 1985	74¼xd	.....	4.04	11.17
30[illegible]	27[illegible]	Treas. 11½pc '85 (£30pd)●	27[illegible]	−[illegible]	12.29	13.59
98⅞	95¼	Exch. 12¼pc 1985	95¼xd	−¼	12.86	13.69
97⅛	93⅜	Exch. 11¾pc '86	93⅜	−¼	12.58	13.65

Five to Fifteen Years

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
70[illegible]	68⅞	Treasury 3pc 1986●	69¼	+⅛	4.36	11.37
97[illegible]	92½	Treasury 12pc '86	92¾xd	.....	12.86	13.90
88½	84¼	Treasury 8¼pc '84-86‡‡	86⅛	+⅛	10.22	13.07
103⅞	98⅛	Exch. 13¼pc 1987	101⅛	+⅛	13.66	14.80
81¾	76	Funding 6½pc '85-87‡‡	76[illegible]	+⅛	8.57	12.33
99½	91⅛	Treas. 12pc 1987	91⅛	.....	13.23	14.22
81⅛	76¾	Treasury 7¾pc '85-88‡‡	79	+⅛	10.11	13.06
65½	61⅝	Transport 3pc '78-88	61¼	+⅛	4.94	11.14
92¾	86¼	Treasury 11½pc 1989	88½	+⅛	13.38	14.56
93	87	Do. A	89⅛	+⅛	13.47	14.66
67¼	63¼	Treasury 5pc '86-89	63⅛	+⅛	7.94	12.14
101½	95⅛	Treasury 13pc 1990‡‡	97⅜	+⅛	13.96	14.40
40[illegible]	34⅝	Exch. 12½pc '90 (£40pd)	34⅞	+[illegible]	14.02	14.74
80⅞	74	Treasury 8¼pc '87-90‡‡	74¼xd	−¼	11.00	13.05
93⅛	86½	Treasury 11¾pc 1991	88⅞	+⅛	13.24	14.72
66¼	62⅝	Funding 5¾pc '87-91‡‡	63	+⅛	9.21	12.47
90	81¼	Exch. 11pc 1991	81⅝	−¼	13.57	14.58
98⅞	91¼	Treasury 12¾pc '92‡‡	94⅛	+¼	14.13	14.57
82⅞	77⅞	Treasury 10pc 1992	79	+¼	13.03	14.28
94⅞	88¼	Exch. 12¼pc '92	89½	+⅛	14.10	14.66
101⅞	94¼	Exchequer 13½pc '92	95	+¼	14.51	14.76
96¾	90¼	Treasury 12½pc '93‡‡	92¼	−⅛	14.18	14.61
63⅞	60½	Funding 6pc 1993‡‡	60⅝	+⅛	10.06	12.49
105¼	94⅞	Treasury 13¾pc 1993‡‡	94½xd	+⅛	14.50	14.66
107¼	100½	Treasury 14½pc '94‡‡	101¾	+¼	14.68	14.69
104¼	93⅜	Exchequer 13½pc 1994	93½	.....	14.54	14.75
95⅝	88½	Exch. 12½pc 1994	90⅞	+¼	14.27	14.64
79¼	71⅞	Treasury 9pc '94‡‡	71⅞xd	.....	12.51	13.59

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
64	61	Agric. Mt. 5pc '59-89	61	.....	8.44	13.37
29½	27¼	Met. Wtr. 3pc 'B'	27½	.....	11.15	13.40
114	98½	U.S.M.C. 9pc 1982	111	.....	8.43	—
97¾	92½	Do. without Warnts.	96½	.....	9.76	16.20

Financial

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
101½	98¼	FFI 14pc '83	98⅞	.....	14.16	14.52
92	88½	FFI (UK Fn) 5½pcDb. '80-2	90½xd	.....	6.06	13.94
83½	79½	Do. 6¼pcDb. '81-84	79½xd	.....	7.86	13.80
93	86½	Do. 10½pc Uns.Ln. '86	91	.....	12.04	14.40
92	79¼	Do. 11pc Uns.Ln. '88	89½	.....	12.86	13.90
92	86½	Do. 11¼pc Uns.Ln. '90	90	.....	13.72	14.70
94½	88½	Do. 12½pc Un. Ln. 1992	88½xd	.....	14.12	14.70
64½	60	Do. 7¼pcADeb. '89-92	62½	.....	12.28	14.80
62	59	Do. 7¼pcADeb. '91-94	59½xd	.....	12.18	14.10
72½	68	Do. 9pc 'A' '91-94	69xd	.....	13.04	14.30
70	65	Do. 8⅞pcLn. '92-97	66	.....	13.98	14.80

FOREIGN BONDS & RAILS

1981 High	1981 Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
62½	58	Antofagasta Rly	60	.....	—	—
55	55	Do. 5pc Pref.	55	.....	—	—
98	98	Chilean Mixed	98	.....	3	f3.09
28	18	Chinese 4½pc 1898	18	.....	—	—
22	16	Do. 5pc 1912	16	.....	—	—
18	10	Do. 5pc 1913	10	.....	—	—
16	10	Do. 5pc '25 Boxer	10	.....	—	—
94	88¼	Denmark 13pc 2005	88½	−¼	13	15.60

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

مكتبة الأصل

INDUSTRIALS—Continued

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

IRISH

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

FINANCIAL TIMES
Friday May 15 1981

Thatcher defends policy on hunger strikers

BY RICHARD EVANS, LOBBY EDITOR

MRS. THATCHER launched an intensive campaign yesterday to refute claims from the U.S. and other countries that the British Government's attitude to the Maze hunger strikers was unjustified and inflexible.

Her target was public opinion in the U.S. In a lengthy reply to four leading Irish-American politicians, Mrs. Thatcher gave the reasons for Government determination not to grant political status to IRA prisoners.

The need to match IRA propaganda following the deaths to two hunger strikers is regarded as a top priority by Ministers. So Mrs. Thatcher took the opportunity presented by letters from the four American politicians and from Cardinal Tomas O'Fiaich, the Irish primate calling for more flexible policies, to hammer home the Government's case.

Ministers were taking comfort from evidence yesterday that Mr. Michael Foot, Opposition leader, was backing the Government's refusal to grant political status. However, there were signs that the hunger strike issues and Northern Ireland in general were creating big party difficulties for Mr. Foot.

Mrs. Thatcher, in a phone-in on BBC television's Nationwide, rejected Mr. Tony Benn's proposal that the United Nations should be brought in to solve the Ulster crisis.

She argued that, as a minority in Ulster wanted to become part of the Republic while the majority wanted to stay within the UK, there simply was no easy solution.

"Just handing over to another body does not produce a solution. We shall just have to go on trying to beat the bomb and the gun."

In her reply to the four senior U.S. politicians, Senator Edward Kennedy, Senator Daniel Moynihan, Mr. Tip O'Neill, Speaker of the House of Representatives, and Governor Hugh Carey of New York, Mrs. Thatcher rejected their allegation that the British Government had a policy of inflexibility over Northern Ireland.

She welcomed their condemnation of all violence in Northern Ireland and their efforts to discourage American support for men of violence in Ulster.

Mr. Tony Benn's relations with Mr. Michael Foot, the Labour Party leader, and other members of the Shadow Cabinet, have reached a new low because of his latest intervention on Northern Ireland. Shadow Ministers were yesterday saying that the situation was so bad that some way would have to be found of forcing him to resign.

She then gave a full account of developments in the Maze prison since the protester's complaints were investigated by the European Commission of Human Rights in 1978.

This showed that the British Government had acted with great flexibility, she claimed. Improvements in conditions to all prisoners had been offered, most of which the protesters had rejected.

Her view remained that the protests of the hunger strikers were not about prison conditions but were about the demand for political status.

"On this the Government will not compromise. It is not prepared through the granting of political status to legitimise criminal acts undertaken in pursuit of political ends . . . . It is not prepared to surrender control of the prisons . . . . it is not prepared to be coerced by protest action."

Mrs. Thatcher hoped there would be no more deaths, directly or indirectly, due to the present hunger strike. But she repeated her view that this was a choice for the hunger strikers rather than for the Government.

John Griffiths writes from Belfast: Another Provisional IRA member went on hunger strike at the Maze Prison yesterday in place of Mr. Francis Hughes, who died on Tuesday.

He is Mr. Brendan McLaughlin, 29, of Greysteel, Londonderry, who was sentenced to 12 years in 1977 for firearms offences.

Mr. Hughes is to be buried at his home village of Ballaghy, South Londonderry, today.

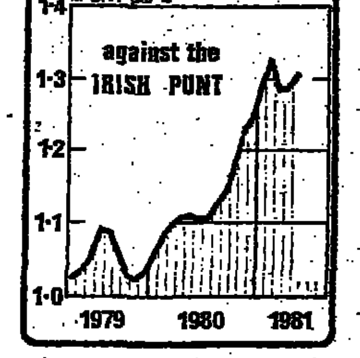
David Tonge adds: The Council of Europe may involve itself in prison conditions in Northern Ireland. Mr. Brian Lenihan, *Irish Foreign Minister*, said yesterday. In Strasburg after a meeting of Council of Europe Foreign Ministers he said: "On the basis of information obtained . . . it is my hope that action will very shortly be taken under the European Convention of Human Rights in relation to the humanitarian aspects of the prison regime of Northern Ireland."

Parliament Page 9

THE LEX COLUMN

Royal's earnings under pressure

Index rose 6.8 to 558.1



Funds continued to flow into the dollar yesterday, pulling sterling down below $2.07 and putting further pressure on the EMS, in which the French franc is still fighting for its life. *Whether under instructions* from the outgoing or incoming government, the Bank of France is pulling no punches, and another 2 point hike in the key money market intervention rate to 18 per cent suggests a serious attempt to fight off devaluation —at least until the dollar weakens and the D-Mark can be gracefully revalued within the EMS.

Royal Insurance

First quarter figures from Royal Insurance are £1.2m up at £26.7m pre-tax — but the figures are not as good as they look. The rights issue has boosted investment income by about £3m, and U.S. underwriting losses would have been about £3m greater but for an improvement in workers' compensation results which is unlikely to be sustained over the year. The U.S. operating ratio, which is unchanged so far at 105.2 per cent, could deteriorate to around 108 per cent for the year as a whole. That implies a loss of roughly £30m, compared with £16m in 1980.

Losses in Canada could also be £30m or more. Royal is going to put up its premiums again in July, and says that conditions there are so bad that it is quite prepared to lose market share. Underwriting profits in the UK, by contrast, are on stable trend, with a much better experience in commercial fire and household business in the first quarter more than outweighing tough conditions in employers' liability.

Overall underwriting losses may rise to £70m this year (about 5 per cent of premiums) though higher investment income could leave the pre-tax total roughly unchanged at £122m. Earnings per share will be diluted by the rights issue and a higher tax charge, but Royal will want to maintain a progressive dividend trend. The prospective yield could be nearly 10 per cent at 383p.

Bank of Ireland

The Bank of Ireland has accepted the open invitation spurned by UK companies from the Accounting Standards Committee to present its main accounts on a current cost basis. On this method, pre-tax profits are down from I£17m to I£12.8m for the year ended March, depressed by the surge in Irish inflation from 15½ per cent to some 21 per cent. The damage has been done by a big working capital adjustment, for in fact the supplementary historical cost figures present a very much rosier picture, with a 25 per cent rise to I£52.7m.

With some international banks registered in the UK refusing to give even supplementary current cost figures because they fear their credibility might be damaged, Bank of Ireland's candour is to be welcomed. Of course, it may also have some reason to persuade its employees that profits are not buoyant, but there is little political pressure on it to play down its profitability, for the Central Bank of Ireland agrees that its earnings are barely adequate.

There is no question of UK-style endowment profits from high interest rates, though the long arm of Sir Geoffrey Howe has reached out to pluck I£1m as a windfall levy on Bank of Ireland's UK operations. Overall, the bank has almost maintained its capital base in real terms.

Siemens

Siemens appears to be weathering the recession at least as well as Philips, but it won little sympathy yesterday on the Frankfurt market, where the shares slipped DM4.50 to *DM255.80*. Earnings in the first calendar quarter have fallen 22 per cent — compared with 26 per cent at Philips — and domestic sales have been stagnant.

Judging interim figures from Siemens is an inexact science, as the company adopts a highly conservative depreciation policy for tax purposes, and yesterday made no reference to the KWU power station subsidiary, which can produce wide fluctuations in quarterly earnings.

It is clear, however, that Siemens is still grappling with serious cost pressures. Stocks rose by a reported 36 per cent last year and remain at an uncomfortable level while the group has only recently started to prune the labour force, which was growing throughout 1980.

The weaker D-Mark has pushed up energy costs and the return on sales—1.7 per cent in the first quarter—is still on *the slide, even though* KWU should be producing higher earnings on lower sales volume. True earnings should work out close to last year's DM 35 per share, which produces a prospective p/e of 7. The yield to foreigners is a lowly 3 per cent but the shares may appeal to investors facing nationalisation in the French electrical sector.

Jefferson Smurfit

Jefferson Smurfit raised I£12.7m through a one-for-six rights issue two years ago; yesterday it came back to the market with a similarly light offering to raise I£15.7m. Its UK shareholders may feel they have had more than a fair helping of new stock recently, but Irish investors, with cash flow building up behind a wall of exchange controls, will probably be delighted.

Smurfit's balance sheet already contains I£32.2m of cash offsetting I£50.6m of debt, but the group is anxious that the need to go on investing in Alton Packaging, the U.S. acquisition which doubled its size, should not prevent it from taking any other opportunities. Alton was bought cheaply and its assets need a lot spending on them—to convert one mill to coal will cost $55m, but Smurfit reckons the return on this investment will be excellent.

Alton's good results saved the group from some ugly figures in the year to January. Group pre-tax profits held at I£17.4m against I£18.1m after an 80 per cent fall in the UK.

Earnings per share have been going nowhere much since 1977-1978, and a dull first half combined with the dilution from the rights issue will keep them down this year. Thereafter, though, the potential is considerable. The ex-rights yield is 6.8 per cent, and the chairman is spending I£0.8m taking up his rights.

Ford 'well on way to recovery'

By David Lascelles in New York

FORD "is well on the way to profit recovery" and expects to be "near break-even" in the second quarter of this year, Mr. Philip Caldwell, the chairman, told stockholders at their annual meeting in Detroit yesterday.

His remarks appeared to give the most optimistic view heard so far from the troubled U.S. motor industry on prospects for *business this* year.

Although Mr. Caldwell still refrained from predicting that Ford would get back into the black, this appeared a slightly more cheerful appraisal than the company's previous prediction of a "substantial improvement" in the second quarter.

He attributed much of this improvement to the success of the Lynx and Escort "world car" *models, best-selling* models in the U.S. last month.

Last year Ford's losses totalled $1.5bn (£726m), and in the first quarter of this year it lost a further $439m.

"The environment for the U.S. car market is improving," Mr. Caldwell said, referring mainly to the tax cuts and other measures proposed by the Reagan Administration, as well as lightening of the regulatory burden on the industry.

He welcomed Japan's decision to curb car exports to the U.S. voluntarily, though he termed it "not a very big step."

But in the short term Mr. Caldwell expressed concern about the recent sharp rise in U.S. interest rates, which he said would affect Ford's sales and profits as well as its forward planning, because of the pressures it put on the company, its dealers and customers.

Ford stockholders, whose dividend was cut by over two-thirds last year, were reassured by Mr. Caldwell that Ford was striving to revitalise itself by investing in a wide number of new vehicle programmes, improving employee relations, and raising productivity.

Europe gives up hope of cut in car imports from Japan

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission has abandoned hope of securing a reduction in Japanese car exports to the EEC this year. The Commission will instead demand a promise from Tokyo to peg its shipments to the Ten at about the levels of last year.

The demand is expected to be discussed with Mr. Naohiro Amaya, Japan's Minister for foreign trade when he arrives in Brussels for talks in the last week of May. Sharp Commission reaction to Japanese undertakings to cut car shipments to the U.S. by 7.7 per cent this year may have led the Tokyo authorities to expect a demand for sharp cuts by Europe. However, the Commission has apparently concluded that there is not enough political steam *among member states to push* Tokyo on the question.

Publicly the Commission is committed to obtaining limits on car imports "analagous" to those granted to the U.S., but it has set its sights on drawing the line at the 240,000 vehicles shipped to the 10 last year.

Ireland, Greece and Denmark have no motor industries and no desire to penalise customers by keeping out Japanese cars. France and Italy have taken measures to protect their car industries and the UK has an agreement with Japanese car makers. Only West Germany and the Benelux countries have open markets and domestic car operations.

West Germany's major con*cern is that none of the 140,000* vehicles which, under the recent agreement, will not be shipped to the U.S. this year should find their way into its market. Benelux wants its 1981 imports to be lower than last year.

As a result, the Japanese response to the Commission's demand will almost certainly focus on the Benelux market, although it may also advise its manufacturers to be "prudent" in their shipments to West Germany.

But this may not stop the growth in Japan's overall car exports to the EEC through the Irish, Danish and Greek markets, probably at the expense of EEC manufacturers.

Moscow 'may sell more gold'

By David Marsh

The Soviet Union may sell more gold to the West this year because it needs foreign exchange to support the Polish economy and import grain, according to Consolidated Gold Fields, the London mining finance company.

In its annual review of the world gold market, published yesterday, ConsGold says that last year Moscow was able to cut bullion sales and build up reserves, partly because of increased revenues from oil and gas exports.

ConsGold believes net bullion sales to the West last year by Communist countries (mainly the Soviet Union, but including China and Eastern Europe) fell to 90 tonnes from 199 tonnes in 1979.

Mr. David Potts, the company's chief gold analyst, said yesterday that the gold price might fall further during its present relatively weak phase. But higher Russian sales "would not have a markedly depressive effect."

Bank for International Settlements figures published this week show Moscow has no pressing need for foreign exchange. The Soviet Union's *identified currency holdings* with Western banks rose $1.7bn during the final quarter of last year to $8.6bn at end-December, partly because of increased bank borrowings.

Details Page 24

Plan announced for Open Tech

BY ALAN PIKE

PLANS WERE announced yesterday for launching an Open Tech — a technical college which would teach in similar ways to the Open University — which could have a radical impact on the training of adults in industry.

The Open Tech proposal is the first move in Government attempts to reform industrial training and provide industry with a workforce equipped to meet the needs of changing technology.

A consultative document, published by the Manpower Services Commission yesterday, proposes that over the next *three to five years the Open* Tech should develop between 12 and 20 major schemes to improve technician training.

During its early years the project would cost not more than £10m a year.

The Open Tech would follow the Open University in offering teaching by distance learning methods — correspondence material, television, radio, audio and video cassettes and computer programmes.

Unlike the Open University, however, it would not function as a large, separate institution but would use existing colleges and other facilities as Open Tech agencies.

Industry, education and other interests have until September to comment on the proposals. *They have strong Ministerial* support. The consultative document was commended yesterday by Mr. James Prior, Employment Secretary, and Mr. Mark Carlisle, Education Secretary. The first Open Tech students could be enrolled next year.

Mr. Prior said if it was agreed the proposals were on the right lines there should be an early *start in implementing them.*

The Open Tech fits into a much wider review of industrial training now being conducted by the Government and Manpower Services Commission. Later this month proposals for a wide-ranging training initiative — designed to reform apprenticeships, improve arrangements for adult retraining and introduce a better transition from *school and work*—is to be published by the commission.

Key to training needs Page 7

Weather

UK TODAY

CLOUD and rain spreading from W.

London, S.E., E., N., N.E. England
Dry at first with bright intervals. Perhaps some rain later. Max 15C (59F).

Midlands, S., N.W. England, S.W. Scotland
Cloudy, rain at times. Max. 14C (57F).

S.W. England, Channel Is., Wales, N. Ireland
Cloudy, outbreaks of rain. Perhaps showery later. Max. 14C (57F).

Rest of Scotland
Dry at first, perhaps some rain later. Max 13C (55F).

Outlook
Showers and sunny intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	18	64	L. Ang.†	C	17	63
Algiers	F	21	70	Luxmbg.	C	14	57
Amsdm.	C	14	57	Luxor		—	—
Athens	C	21	70	Madrid	C	18	64
Bahrain	S	32	90	Majorca	F	20	68
Barclna.	F	19	66	Malaga	S	21	70
Beirut	S	22	72	Malta	F	22	72
Belfast	C	12	54	M'chstr.	F	15	59
Belgrd.	F	17	63	Melbne.	S	17	63
Berlin	F	26	79	Mx. C.†		—	—
Biarritz	C	13	55	Miami†	S	22	72
Bmghm.	F	14	57	Milan	F	19	66
Blackpl.	F	13	55	Montrl.†	C	8	46
Bordx.	R	12	54	Moscow	S	16	61
Boulgn.	F	11	52	Munich	C	13	55
Bristol	F	14	57	Nairobi		—	—
Brussels	C	16	61	Naples	C	14	57
Budpst.	F	19	66	Nassau		—	—
Cairo	F	31	88	Nwcstl.	C	12	54
Cardiff	F	13	55	N. York†	F	15	59
Cas'b'ca	F	20	68	Nice	F	17	63
Cape T.	S	25	77	Nicosia	F	21	70
Chicg.†		—	—	Oporto	S	15	59
Cologne	R	12	54	Oslo	F	20	68
Cphgn.	F	21	70	Paris	F	15	59
Corfu	F	17	63	Perth	R	19	66
Denver†	F	6	43	Prague	T	19	66
Dublin	C	13	55	Reykjvk.	C	9	48
Dbrvnk.	C	18	64	Rhodes	F	20	68
Ednbgh.	C	15	59	Rio J'o†		—	—
Faro	S	21	70	Rome	F	19	66
Florence	C	18	64	Salzbrg.	C	16	61
Frankft.	C	13	55	S F'cisc†	C	11	52
Funchal	C	20	68	St. Moritz		—	—
Geneva	F	16	61	Singapr.	C	29	84
Gibraltar	S	20	68	S'tiago†		—	—
Glasgow	C	13	55	Stckhm.	S	18	64
G'rnsey	R	11	52	Strasbg.	C	17	63
Helsinki	S	17	63	Sydney	S	21	70
H. Kong	C	24	75	Tangier	S	20	68
Innsbrk.	C	15	59	Tel Aviv	F	22	72
Invrnss.	S	18	64	Tenerife	F	23	73
I.o.Man	F	11	52	Tokyo	C	22	72
Istanbul	R	14	57	T'ronto†	S	7	45
Jersey	R	12	54	Tunis	S	25	77
Jo'burg	F	16	61	Valencia	C	15	59
L. Plms.	S	22	72	Venice	F	17	63
Lisbon	F	17	63	Vienna	C	18	64
Locarno	F	17	63	Warsaw	S	18	64
London	F	14	57	Zurich	C	15	59

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures

French interest rates

Continued from Page 1

highs mainly reflected commercial dollar sales.

The French move was the second large increase in the rate since the election of M. Mitterrand, and the third in the last eight days. On May 6 it was raised from 12.5 to 13.5 per cent. Last Tuesday it was pushed up again to 16 per cent.

The rise in the Treasury bill discount rate was predictably accompanied by a further increase in cost of call money to 16 per cent, from 15 per cent on Wednesday.

Faced with a sharp rise in their refinancing costs some big banks quickly followed the upward movement with an increase in their own base lending rates.

The Crédit Lyonnais, one of the "big three" nationalised banks, pushed its base rates up to 14.75 per cent from 12.75 per cent, while the private *Banque Rothschild raised its* lending rate to the dizzy level, for France, of 16.5 per cent.

These moves were complemented by a decision of the Bank of France to raise the compulsory reserve requirements of banks for both residents' current and deposit accounts with effect from May 16.

The ratio will rise from 4.5 to 5.5 per cent for "sight" deposits, and from 0.5 to 1 per cent for "term" deposits.

On the Paris foreign exchange market the dollar rose to its highest level since devaluation of the franc in August 1969.

However, against other currencies such as the D-Mark, the Swiss franc and Belgian franc, the rate remained virtually stable, while the franc hardened against sterling and the yen.

Relative peace and quiet returned to the Bourse yesterday after the hectic atmosphere of the last three days, during which quotation of most French *stocks was suspended. For the* first time since May 8 an index could be established, following the quotation of all French shares.

French stocks registered a very modest fall of 0.12 per cent over the day, but an average of 14 per cent since last Friday, the last trading day before the Presidential election.

Firm U.S. interest rates, and fears that the U.S. credit squeeze would intensify further, were again the main influences on world financial markets.

Three-month Eurodollar interest rates rose in London to 20¼ *per cent from 19½ per cent* on Wednesday.

Stewart Fleming writes from Frankfurt: The decline of the D-mark is causing growing concern about the course of West German interest rates.

The Bundesbank is intervening in the domestic markets in an attempt to ensure that day-to-day money rates remain around 12 per cent, at which its "special Lombard" rate is set.

The moves to keep short-term interest rates near this level are designed to support the West German currency.

Continued from Page 1

BL loss

cutting fixed costs while at the same time investing in the new products which would increase revenue in the future.

"*Actions which in better* times would have moved us well along the recovery road have tended only to maintain us at a survival position. Therefore the company has remained extremely vulnerable to external factors.

● BL's U.S. dealers have been told that the group will discontinue selling the Rover in the U.S. An adapted version of the Rover 3.5 was launched last *June but so far only 800 have* been sold because of the very high price by American standards—$16,000 (£7,700).

Talks on FT dispute begin at ACAS

BY CHRISTIAN TYLER, LABOUR EDITOR

FURTHER attempts to resolve *a long-running pay differentials* dispute in the Financial Times press room, which has caused a loss of copies on three nights in the last week and prevented changes being made in the late editions of the paper, will be made at the Advisory, Conciliation and Arbitration Service on Monday.

Exploratory talks began at ACAS yesterday, but only slight progress was made. Senior *management of the company* and national officials of the National Graphical Association, whose machine manager members are involved in the dispute, did not come face to face. Neither the men's chapel (office branch) nor local union officials turned up. Some 26,000 *copies of the paper had been* lost the previous night.

Last night Mr. George Jerrom, NGA national officer with responsibility for national newspapers, said he was sure that both chapel and the London region would turn up to Monday's talks. "I am hopeful we can find a way through."

The machine room dispute involves 19 machine managers, of whom 13 are full-time and *six "regular casuals."*

They claim that their traditional pay differential with machine assistants, members of the National Society of Operative Printers, Graphical and Media Personnel, has been eroded and they have tabled a pay demand which the company *estimates at 33 per cent.*

The company denies that the differential—historically 17 per cent in most Fleet Street machine rooms—has been eroded, but says it will make good any difference discovered by "neutral examination."

In a statement yesterday, the FT management said the machine managers had disregarded an agreement to work normally while negotiations continued, which was accepted by all parties after the December stoppage.

According to the company, the paper would be exceeding its targets for the month were it not for the loss of copies and advertising revenue. It is selling about 203,000 copies a night *at present.*

The dispute, which caused an eight-day stoppage in December, comes at a time when the company is reviewing its financial position after the newspaper recorded a small loss last year, the first for many years.

All staff have been called to meetings on May 28 when the present trading position will be set out. The company will reconfirm its intention of extending photocomposition at the cost of some printers' jobs.

The cost of the Frankfurt printing operation will also be discussed. A senior FT executive said last night there was no plan to scrap the overseas edition.

V G H
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